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This is the Year!

Opening Address of Pres. of Export Managers Club

By F. K. Rhines

LAST year most of us who were fighting up in the front-line trenches of foreign trade "got ours" in one shape or another. A few of our comrades were mortally wounded; there were numerous cases of shell-shock; and clouds of poison gas seemed to have enveloped nearly the whole landscape. But that was last year. The poison gas clouds of pessimism have nearly disappeared and the road ahead is fairly clear now.

It should not be necessary to see all the way to the end of the road—1923 is next year—and we can't get warmth out of next year's sunshine for a long time yet. Our only responsibility for next year is to see that we don't spoil its possibilities now.

Consequently, this is the year!

to forget the trials of the past and remember only its lessons—to cast off doubts and take on new courage—

to make a fresh start—

to think no more of the easy days when foreign orders came to us—to know that real salesmanship is needed now, that it will win—

to intensify all selling effort—to create new methods that will command success—

to try to serve our client's interest as we serve our own—to cherish old relationships and foster new ones—

to co-operate more loyally and whole-heartedly all along the line—

to show what sort of stuff we are made of and to set for ourselves a higher standard of achievement—

to think more clearly, work harder and shoot straighter, than ever before.

Why tackle the job in real earnest now? What assurance is there that our export trade can be resuscitated?

AT the annual meeting of the Export Managers' Club of New York, held in March, were presented a remarkable group of papers, followed by discussions, in which the attempt was made to measure the possibilities of foreign trade for the United States in the next few years. It was conceded that a lively foreign trade will mean prosperity for the Nation. Those in attendance were able to enjoy a richness of experience and observation which it is the purpose of this Supplement of the CREDIT MONTHLY to make accessible to the business men of the country who were not privileged to attend the sessions.

The presiding officer of the morning session, A. Schoonmaker, Bourne-Fuller Co., after outlining the program, gave utterance to the feelings every man has who is in export trade to stay, when he said:

"Export Trade, how many crimes have been committed in thy name! Where are those prominent exporters of 1919 and 1919, who joined our fraternity over night and established their own lodge. Its hailing sign was the double cross and its pass word, 'Cash in advance by confirmed letter of credit.' Surely they left a bad mess to be mopped up. But the man who is in the export business to stay is back at his work again, and the old shop is beginning to look more as is used to look."

—THE EDITOR.

What assurance that effort expended now will be profitably compensated within a reasonable time?

The answer is, These things are now being done. Our export trade is already being revived. Export managers who are carefully studying their problems and are applying to their solution the best they have in brains, experience, patience, courage, perseverance and determination to succeed, are now succeeding to a degree which amply justifies confidence in the results of continued and accelerated effort. Exchange rates are improving, labor is becoming more sober and reasonable; banking and finance are gaining firmer ground; national budgets are less hopelessly out of balance; local conditions are on the mend nearly everywhere; and buyers long unheard from are coming back into the market. There are real orders to be had, this year and right now for those with the energy and courage to go after them.

In nearly all countries there are at least the first faint glimmerings of a return to sanity; the subsidence of wild, impracticable schemes for reforming the world over-night and bringing the millennium in a day; and a dawning realization of the fact that the havoc and disorganization wrought by the Great War can be repaired and readjusted, not through politics alone, but, in great measure, only through international good-will and clear-sighted, level-headed, practical co-operation.

It took many times four years to build up what was so ruthlessly torn down during those four years of war. It will take long to rebuild; but a real beginning has been made—of that there can be no doubt. That is the great thing. The world is going back to work.

Next year, and in 1924, and the year after that, there will still be much to do; but there are things that can never be done as late as 1923. This is the year!

Back to Export Normalcy

By B. Olney Hough
The American Exporter

THE fantastic figures of our tremendous war and post war export trade were in many ways unfortunate. Most of us were hypnotized and are still misled by them. Nine out of every ten manufacturers of whom I ask the question acknowledge that their foreign trade of 1921 was as big as their trade in 1913, our record year in the export trade up to the War, a big year.

Of course the exports of 1913 were not high enough. Nevertheless they were mighty big and afford a good enough basis on which to build up again. And there is no getting away from the fact that the export trade of the United States this year and this month is still a big trade. It is up to us and no one else to develop this trade to bigger proportions, to something bigger than we ever knew before the war.

Neither the export trade of the United States nor that of any other country can ever be expected to be uniformly progressive and increasing. There have always been ups and downs in export as in all sorts of business. Nowhere that one would want to live is there always fair weather.

There is entirely too much loose and uninformed talk of American export trade as something "new." It is not new: it is older than the nation itself. Take three minutes for a dive back into history and see that the very foundation of the colonies out of which grew the United States of America was laid in international commerce. The Plymouth and the Massachusetts Colonies and the Virginia Colony were established by the English for the promotion of commerce. The little island of Manhattan was colonized as a Dutch trading post. Virginia grew tobacco for export. The planters paid in tobacco for the wives brought to them across the seas. When a good Virginian Bishop went to England to solicit funds for a college to be established here the British Treasury Commissioner shouted at him, "Souls to save? Damn your souls! Grow tobacco!" Three centuries ago, before 1650, Boston and Salem were exporting to the West Indies, to Madeira and Spain, as well as to England.

Before Philadelphia was twenty years old her merchants had established trade with Europe and the West Indies. Peter Faneuil and John Hancock were export merchants as were Stephen Girard of Philadelphia and John Jacob Astor and Cornelius Vanderbilt of New York.

We Americans were sending our ships to China in 1784. In 1797 New England ships were trading with Manila. Two years later, fifty-four years before Commodore Perry opened Japan to the trade of the world, American ships were voyaging there. A hundred years before the island of Guam became an American possession it was visited by Salem ships.

What do you think of the story of the nervy Boston man who packed up a schooner load of natural ice and sent it down to Havana. He followed this by sending cargoes of ice from New England to Bombay and Calcutta. It

was a risky business but our ancestors were audacious and they made money in the export trade. The man who exported ice had seven competitors in a few years.

Look back over the story of United States export business. A year after our Government was founded, we did in 1790 an export trade of \$20,000,000. By 1807 that trade had increased to \$108,000,000. But note the collapse that followed. In 1807, \$108,000,000. Only \$7,000,000 in 1814. The big business was developed because of the European wars and the demand for American foodstuffs, because re-exports in American bottoms were regarded as neutral goods in Europe. The collapse of our trade from \$108,000,000 to \$7,000,000 marked our Embargo Act, the restoration of peace in Europe and the hampering restrictions on American shipping.

But it took only a year for us to recover. In 1814, \$7,000,000; in 1815, \$52,000,000. The United States was better appreciated in Europe, our manufacturers were growing. We made big sales of our accumulated commodities. But in 1815 Continental Europe was more disorganized, more bankrupt, after the Napoleonic nightmare, than we think it is today.

That trade went on growing. In 1818, three years later, it had grown from \$52,000,000 to \$93,000,000 and every American ship was utilized in the export trade to capacity. Then came another drop. \$93,000,000 in 1818; only \$70,000,000 in 1819. The abnormal expansion in our trade led to reaction and a serious panic. Then there followed a tremendous growth in our agriculture, in our manufactures and in the development of our cotton industry. Our export business grew to \$123,000,000 in 1836. Once more there followed an era of wild speculation and the financial panic of 1837. Our export trade was depressed, decreased from \$128,000,000 in 1836 to \$113,000,000 in 1846.

Gold was discovered. An era of tremendous prosperity ensued. Continued development of our agriculture and manufactures followed, so that at the outbreak of the Civil War in 1860 we had an export trade of \$400,000,000. Note the effects on our trade of the Civil War: \$400,000,000 in 1860; only a little more than half that much in 1865. A drop from \$400,000,000 to \$233,000,000.

Since the Civil War our export record has been continuously progressive. By 1900 \$1,500,000,000; in 1913 \$2,484,000,000. We were in 1913 the second largest exporters of domestic products among all the nations of the globe. Then came the tremendous, incredible, incomprehensible figures of 1920, \$8,228,000,000. But remember that these are value figures and that prices in 1920 were double and more than double similar prices in 1913. Thus we have had our ups and downs in our national export trade. Note figures for 1807, \$108,000,000, note the drop by 1814 to only \$7,000,000. Note the increase in the very next year to \$52,000,000. Note the effects of the panics of 1819 and 1837 and the tremendous falling off in our

export trade. Note the effects of the Civil War so far as values of commodities are concerned, a drop of from \$400,000,000 to \$233,000,000.

We recovered from all of these setbacks. We went ahead growing and increasing our export business. Our record is something more than a thing to be proud of. It is marvelous. Does anybody doubt that we are going ahead now in the same fashion?

But there is no royal road to success in the export trade. The world is not coming to us again on bended knee begging for American goods. We must go and get business just as we did before the war. We must be aggressive, and wisely and intelligently handle the business when we get it. In spite of criticism—and we have had plenty of it—we were doing well before the war. Personally, I do not believe that the business sense of American exporters has been warped, twisted or deformed by the easy business that came to us from 1917 to 1920. Here and there we may find a manufacturer afflicted with astigmatism, who thinks of export business as merely a by-product and believes he can take it up and put it down as suits his own sweet will; who thinks it is easy to sell a customer once and refuse to sell him a second time, if he happens to be busy here at home. But these exceptions are not characteristic or typical. I have confidence in the common sense and innate shrewdness of American business men.

Export normalcy will come with the establishment of common horse sense in export trading, salesmanship of the highest type, management as a business science, that recognition that export trade is not a by-product but a real, serious and permanent business, equal in importance to domestic business.

We think of ourselves as having passed through something of a crisis. So we have, but it is not the first crisis the country and American export trade have met and surmounted. We are made of poor stuff if instead of trying to profit by our lessons, we lie down and determine to do nothing at all.

One of the lessons which we ought to have learned, which we probably have learned, is, in the words of former Secretary Redfield, "Suspicion and sagacity are not convertible terms." The whole world has not been shipwrecked. Commercial morality is today the same as it was in 1913. Certain manifestations of what is only common human nature have impressed some people unfavorably, but those of us who have looked into business conditions all around the world, and the attitude of the merchants of the world under conditions as they have ruled, realize that there are just as many thoroughly honest merchants in all countries as there ever were. And we know there are plenty of actual and prospective customers for United States goods who are worthy of our confidence and esteem, with whom we can continue to do business safely and profitably.

Nobody yet has suggested anything for our consideration that all of us who have known export business for a good many years have not seen tested and tried out, adopted or rejected long ago. The biggest corporations in the country,—and they are numbered among our biggest exporters, too,—did not perfect their export organizations in a year or in two years. They had to work and

work wisely, they are still working. All of us, like them, must depend on ourselves, on the individual initiative which is so characteristic of the Anglo-Saxon business man. We have not to depend on government assistance, we have not to depend on American ships or American banks. We have not to anticipate miraculous results from extraordinary finance and credit schemes. We can do business today on old sound lines, the proof of which is that we are doing that business today.

It is true that there are some handicaps. But did anyone ever know any business anywhere in which handicaps are not to be found? It is the business of the business man to overcome them. His success depends on his doing it. He can do it now as it always has been done. That handicaps are not insuperable obstacles is, once again, made clear by the fact that export trade is still going on and in large volume,—in big volume, indeed, it would have seemed to us in 1913,—of highly encouraging volume as it ought to seem to us today.

There is nothing terrifying about any handicaps that we are encountering. High prices are always a handicap and many people let their courage ooze out because they convince themselves that it was not possible to do any export business in view of the rates of exchange. Still international business goes on. It has not stopped. The exchanges will right themselves some day. Some of them have been "improving," as the saying is, rapidly in recent weeks. The psychological condition

is being readjusted. People are accepting a new viewpoint as to values.

The newspapers have a good deal to say about the inflated currencies of some countries, about printing presses working overtime in turning out so-called money, about the impending bankruptcy of nations, their inability to pay the interest on their obligations, and so on. Let us not get confused about this. National finance and private commercial finance are two separate and distinct things. No matter what the condition of a nation's finances may be, no matter if it defaults in its national obligations, still trade within that nation's boundaries never stops. The people of that nation must always buy. Shopkeepers, wholesale merchants, manufacturers in that nation have to supply these things, have to keep their doors open and goods on their shelves or in their warehouses, and there are always plenty of them who have money or can get money with which to pay their bills. International commerce is not and never has been in danger of ceasing entirely. It is going on as it always will go on because it must.

There are only two questions today before the manufacturers and merchants of the United States. Are we going to try to get our share of international trade? Are we going to work wisely and intelligently to get it and to keep it and build it up? These are questions of plain business horse sense, of "normalcy" in the carrying on of business.

Selling the Man Whose Exchange Is Off

By George C. Vedder
Vedder Overseas Service

Y purpose is to try to explain what some of you know, for the benefit of those who do not,—why it is that certain foreign markets, where exchange is badly off, are coming back as importers.

My object is to offset some of the opinions expressed in many places during the past two years, for instance, such as those uttered by an automobile manufacturer who said, "Of course, we can't sell automobiles in Brazil. It now costs a Brazilian about five thousand dollars for a car he used to get for two thousand dollars."

Such a statement is very misleading because the Brazilian does not pay dollars for anything he buys.

Please bear with me while I present a few elementary facts. Keep in mind that money is only a token with no more value than so many poker chips except as it can be exchanged for something that is of use. This includes gold which if it were demonetized would not be as valuable as lead because the it is not so useful. Another thing to remember is that money has not fixed value. It is a commodity like everything else. It fluctuates according to exchange value in products or services.

Each country has its own form of currency. These are not interchangeable. The only way to settle international balances is through the shipment of gold which forms the basis of all currencies of our day, or has until recently.

With these facts in mind, let us see what happened in some foreign coun-

tries a few years ago. As the balance of trade went against a country and its gold reserves were threatened embargoes were put on gold and as a result the currency of such a community, in terms of currencies of other nations, declined in value.

In modern times, there is no such thing as a self-contained country. Every civilized country in the world depends to a large extent for its economic life on importing and exporting. Some countries import manufactured products and export raw materials and food products. Some do just the opposite. A great many import and export both kinds of products.

The result of this, where the exchange rate goes off, is that business is demoralized for a time, but every community has a certain minimum demand that must be satisfied by importation, quite regardless of the price. This leads in each case to a rise in prices on import products, whether they be raw materials or manufactured goods. When this rise begins, it gradually spreads. You cannot raise in any community the price of one class or several classes of its products without affecting the whole economic structure because the man who must buy those products must have more money. The price of services goes up. The price of native products which are sold internally must go up because those who produce them must have enough to pay increased prices on other products which are imported. Thus gradually the whole economic structure is affected and, as the exchange rate goes down, there is

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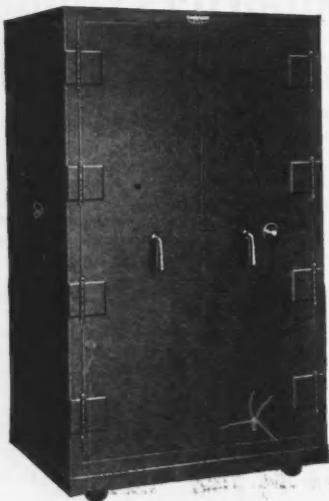
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a gradual adjustment to the situation. Of course, it lags behind the downward movement; and so long as the downward movements persist, conditions are bad.

Sooner or later, however, in such a community a business revival sets in, either because the demand for capital is so great and interest rates are so high that loans are made or importation begins on account of improvements in other parts of the world. The fall in exchange rate is checked by influences of this kind, and we then have, when exchange hits the bottom, what might be called a temporary stabilization of conditions. The adjustment to this falling rate catches up. Then we have a situation something like this: (It exists, in my opinion, in Brazil today, and so I take Brazil as an example.) We have the milreis, which today will buy approximately two-fifths of what it used to buy. For the average man in Brazil it is now two and a half times as easy to get a milreis as when the milreis bought two and a half times more.

One of the things that happens, of course, when an exchange rate begins to fall off is, because of increased prices, there is an increase in the volume of currency. This is sometimes mistakenly referred to as inflation. It is

no more inflation than the increased minting of nickels when the New York subway shifts from ticket to cash fare basis. Real inflation is excess of currency issued above the needs of the business community. The increased volume of money in South American countries is not inflation. We have had inflation in such countries as Germany, Russia, Poland, Austria and to some extent in France where the governments to meet deficits in their budgets have issued currency in volume which was unwarranted by the needs of the business communities. When this happens, the exchange rate will keep going down until the currency becomes practically worthless. Fortunately, that has happened in only a few countries.

I want to leave this one definite thought: Do not neglect any foreign markets merely because the exchange rate is off, no matter how badly it is off. If, on investigation, it appears that temporary stabilization at the low point has been accomplished or partly accomplished, go after business because you will find in a very great many cases it is possible to sell goods. If you are there, the man who waits until exchange rates improve is going to find himself behind you in the procession.

Making Sales in Foreign Currencies

By F. J. Whitlow
Nujol Laboratories

PERMIT me to suggest another title for this paper: "Selling goods in other fellows' currency rather than in a currency foreign to him."

Two parties are essential to a transaction and good will is the prime essential to good business relations.

In Ottawa last December, I called on an old friend engaged in the drug business, whom I found in his office fuming over an invoice from a drug sundry house in England. He was endeavoring to arrive at his cost per unit on this invoice for nail and tooth brushes, combs, and other drug sundries, the invoice being in pounds, shillings and pence. He had been at it all day and had made little headway. I was able to be of material assistance to him in converting his invoice into Canadian currency.

On the same trip, I encountered some of the feeling which is very prevalent in countries whose exchange is at a discount. On quoting a big importer on one of our products, he inquired: "Are you quoting in New York or Montreal funds?" I replied "New York." He immediately accused every one connected with American business of being pirates and robbers. He said that we already had the bulk of the money of the world and were evidently desirous of keeping it. He spoke of the emergency tariff already in effect which had seriously reduced Canadian exports to us, and further referred to the proposed Fordney tariff, which, if enacted, would further limit their exports to us.

This feeling not only exists in Canada but in many other countries. It is only human that the individual should feel somewhat this way, and we, as American exporters, find ourselves face to face with a serious proposition in our endeavors to overcome such feelings and

to continue to expand our business relations.

Moreover, despite the fact that virtually every currency with the exception of sterling, is based on the decimal system, I have frequently encountered individuals in various countries who experience considerable difficulty in arriving at the equivalent in their own currency on purchases made in dollars. This condition is largely aggravated by the fluctuating exchange conditions of today.

There are among the merchants of this world many who when making purchases for import, although they are aware of the desirability of protecting themselves by the purchase of funds with which to consummate the transaction, thus obviating the chances of exchange going against them and increasing the cost of their goods, who will take a chance, often against their better judgment, and thus deliberately gamble. This practice would seriously affect their credit should it happen to reach the ears of any of our credit executives. I believe that many of the cancellations and refusals which we heard of during 1920 and 1921 were due to the fact that the purchasers had omitted to cover themselves and later found exchange against them. With these circumstances in mind, it seems to me that anything we can do to make it easy for our customers to buy will tend to secure his good will, should be done, and one of the ways to accomplish this would be to make quotations in his own currency. If we are to be successful as exporters, we must be internationalists.

To do foreign business successfully we must cater to the buyer. Of course it is very pleasant and safe to make our quotations in dollars and to leave it to the customer to secure the dollars with

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which to pay. Some of us engaged in export trade come closely in touch with our colleagues on the domestic end, and it is obvious that everything possible is done by them to make it easier for the buyer to buy. In foreign trade we must follow this business building principle. When we go out in the world markets we are in competition with the whole world, which makes it absolutely necessary for us to cater to the buyer.

Economists tell us that we should export 20 per cent. of our output to be economically sound. There are export managers today who have been made to feel during periods when conditions at home are good that they are more or less of a nuisance. They find themselves, however, the important props of their house when business at home is bad; in fact they have been made to feel that they are mighty important in such times when they come across with an order. I believe many principals are now beginning to realize the value of their export departments. It is my good fortune to be connected with a corporation that is an extensive exporter.

Among the members of the Export Managers Club of New York, we have all classes of exporters. There are some whose actual interest in the goods cease as soon as the transaction has been completed. There are others whose interest does not cease until their goods are in the hands of the actual consumer and whose goods pass through a number of channels before reaching their final destination. Even among them there are some who would not be affected seriously by a fluctuating price. But there are others whose business would be seriously affected by frequent changes in exchange.

For example, take the product of my house, in France. It would be suicidal for us to have the druggist charge 22 one day, and 25 another. For this reason, it is necessary to take measures to stabilize prices.

Much as we dislike mentioning the Germans, there is no denying the fact that their progress as exporters was phenomenal before the War, due, I believe, to three factors: This was the result of cheap labor, long credits, and a realization that sterling was the international exchange medium and should be adopted for export transactions.

The wise importer placing an order with an American house, delivery within sixty days sight draft attached to documents, will immediately purchase from his bank a 60 day future on New York. This puts him in a position to sell these goods for future delivery and to realize a stated profit. He knows exactly what he is going to pay for them. Unless he takes this precaution, he is gambling as to the cost of the goods on arrival. Suppose we, as exporters, undertake to quote in foreign currencies. How are we going to protect ourselves? Virtually all of our large banks in New York have established extensive foreign relations and are in a position to negotiate futures of exchange in most currencies. If the export manager is able to estimate approximately his business over a period of thirty, sixty or ninety days, the financial department of his firm could sell futures in the foreign exchanges and thus protect itself against fluctuations.

This procedure means that we would be doing a certain amount of gambling, for it may happen that sales do not

come up to or may exceed expectations, or that some remittances may be postponed, in which cases it would be necessary to enter the exchange market again and buy to cover our shortage. I have a feeling that the export manager who approaches his firm with this proposition is going to find himself unpopular. But I firmly believe that any export manager who is successful in having such a system adopted is going to secure a large share of good will and possibly get the jump on many of his competitors.

Many of us operate through a subsidiary, a branch house, or a sole distributing agent. It has been my personal experience that to work with either of these is an ideal method. In such cases, arrangements can be made whereby these distributors will take a certain profit on the net sales price, and thus it is possible to give and take as the exchange market fluctuates and only make changes in list prices when serious fluctuations occur.

Take the case of an agent in Canada working on a 15 per cent. basis. Suppose the Canadian dollar were at 10 per cent. discount when selling prices were established but that it had depreciated to 15 per cent. at the time remittance was made. This would leave the Canadian agent short of his 15 per cent. profit. He would still be able to operate until such time as exchange had improved so as to compensate himself for the bad period. Under these arrangements resale prices need only be changed on the profit being wiped out, or on the other hand when the excess owing to recovery in exchange rate had reimbursed the agent and showed too big a margin. Such arrangement between manufacturer and agent have been found to work to their mutual satisfaction.

As a result of a questionnaire sent out, I have received some interesting replies, a few of which I will quote:

A

"With few exceptions our quotations on foreign business are in dollars. In an exceptional case where we sell in foreign currency we happen to have exclusive dealers arrangements. Deposits in local currency are made to our credit in a branch of an American bank located in the foreign city. These deposits draw some interest and are allowed to remain until such time as we think exchange rates justify withdrawal. In the meantime, we meet advertising expenses, etc., from the fund in foreign currency. In my opinion, there is a distinct selling advantage in making quotations in foreign currency. To pursue this policy, however, with a business extending to all parts of the world would involve a great deal of difficulty, and I think it should be confined to a few countries in which there is a large number of exchange transactions with the United States, so that the exporter can safely cover himself."

B

"Our distributing organization consists of national dealers and subsidiary companies. In the case of the subsidiaries, machines sent them for their stock are sent on consignment, we to be paid for them as they are sold by our representatives to the ultimate user. To all such we quote in dollars. They in turn quote in the currency of the country, except that in a few cases where exchange has violently fluctuated, our agent quotes in dollars. This was only an emergency precaution in a few

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instances on account of abnormal conditions. Inasmuch as we quote in dollars to our foreign distributors, it has remained with them to revise their prices to the buying public; although we are consulted regarding each proposed increase or decrease, and have the opportunity to express an opinion as to its advisability. In the case of our subsidiary companies the setting and changing of prices is virtually equivalent to our quoting in the currency of the country to the ultimate consumer. This places us in a position that makes this question of quotations and in what currencies a sizeable problem. That is, it necessitates anticipating future rate of exchange, which of course cannot be done with any assurance of accuracy.

"To meet this condition, we have been following a practice lately that seems to have merit. A subsidiary estimates the volume of sales it will be able to consummate during the next three months. It then purchases at the current rate of exchange enough dollars to handle the anticipated three months' sale volume, and quotes the consumer prices in the currency of the country accordingly. This places the operation on a known basis rather than on one of exchange speculation. Should exchange rates or local conditions change sufficiently, revision of prices downwards or upwards may be made at the end of three months and for the succeeding three months period, and again a sufficient number of dollars may be purchased to handle the anticipated business, and retail prices in local currency can again be established.

"Previous to the recent period of such widely fluctuating exchange rates, we had arbitrarily arranged with the subsidiaries a book exchange rate on which basis the machines were sold to the subsidiary, they in turn regulating their selling price to the public to correspond with local business conditions and with the varying rates of exchange. This plan works fairly satisfactorily so long as exchange rates do not shift back and forth violently. There is no doubt but that it would be a satisfactory arrangement for foreign purchasers if the American manufacturer could quote definitely in the local currency of the foreign country. Before this is done, however, in view of the present widely varying exchange rates, we believe that it behoves said manufacturer to give careful consideration to the fact that he pays dollars for material, workmen's time, overhead, etc."

C

"We believe it is always preferable to quote in dollars and if the question of foreign currency comes up, to guarantee a certain rate of exchange, and under such circumstances to protect ourselves by selling the foreign exchange for delivery at the time payment is expected to be made by the customer. In this way one is protected against any exchange fluctuations from date of receiving the order until the time of payment.

"In working this arrangement, however, it would have to be distinctly understood between the seller and the buyer that drafts will be paid promptly at maturity and that no cancellation or changes on the order can be made after placing. Otherwise, the seller would be likely to find himself sold short on the foreign currency.

"This plan could be successfully operated only with houses with which the seller had been dealing before, and in which he had every confidence."

D

"In France we are selling at the rate of 11 francs per dollar, which all are aware leaves a profit on the exchange at the present time."

E

"We quote in the currency of the country in certain selected cases. In those cases we cover by forward sale of foreign exchange or equivalent purchase of dollars on the basis of estimated sales over the shortest practical period ahead. If at the end of the period covered by estimate of sales, the exchange has fluctuated to a point where it is necessary to make revised quotation we do so. In certain countries and for merchandise, particularly in competition with the domestic manufacturers of those countries, we believe that it is an advantage, if not essential, to quote in the currency of those countries. In some places, notably the Far East, internal business can not be done except on a silver basis."

F

"I have some pronounced ideas on the subject of selling goods in foreign currencies, and although these do not always fit in entirely with the company policy, they are, I believe, one of the best means of getting business.

"My views are that a profit percentage should be established upon the commodity being sold and with this known factor to start with, a differential established for the various currencies. As an example, let us presume

that the profit yield is 20 per cent. Therefore, sterling can be accepted at par since its discount from par is now 10 per cent. and a minimum conversion rate of \$4. established, wh.ch would if sterling dropped to \$4. still leave a whole hide to the manufacturer.

"The same thing can be worked in all the different exchanges and in this way good will built. Of course, it seems that a dealer is going to sacrifice a part of his profit; but as the exchanges come back nearer to normal, his percentages also approach normal. Where it falls behind, he can consider that the amount written off is a good advertising appropriation."

G

John H. Neubert, Export Manager of the Taylor Instrument Companies, and vice chairman of the foreign trade committee of the Chamber of Commerce takes a progressive stand in the matter of building up foreign trade, in a recent statement. He advocates taking a loss of profit through developments in exchange today in order to build markets for tomorrow. He says:

"One of the greatest barriers to foreign trade during the world wide readjustment is the condition of the exchanges between countries, particularly those carrying the bulk of foreign financing. Manufacturers and exporters will do well to adopt arbitrary conversion standards favorable to clients abroad, sustaining present day loss of profit in order to build markets for the future when exchange rates approximate nearer normal.

"Quotations should be made on the c. i. f. basis at seaboard of buyer's country, and where this is not possible, the quotation to merchants in their own monetary systems for goods delivered at New York, will bring far better response than similar quotations in dollars; because, in the first instance, merchants may determine what merchandise is to cost, the sales price abroad, and the profit, whereas on the dollar basis, merchants are unable to know what exchange rate may exist at the time bills become due and in consequence cannot determine sales price or profit until delivery and payment.

"The loss to be accepted by fixing arbitrary exchange rates for the principal money markets of the world is dependent upon the profit yield of the commodity exported, and should be as liberal as possible with a limit as to possible loss by means of a minimum conversion rate."

To sum up, we have to keep in mind that our raw material, wages, overheads etc., are to be financed in dollars, that when we sell in dollars we know exactly what our return is going to be, apart from the possibility of bad debts and interest on suspended accounts. Of these we have had a considerable number, owing to the fact that the majority of the currencies of the world are at discount and subject to violent fluctuation.

Were we to adopt the procedure of making quotations in foreign currencies, we would lay ourselves open to possible reduction in profit owing to fluctuations in exchange, and it is a matter for the individual to decide for himself whether the possible increase in business and increased good will is going to be sufficient to compensate him.

Discussion of Mr. Whitlow's Paper

Asked by J. R. Barry, Japan Advertiser-Transpacific, Tokyo, Japan, if it would be better for American manufacturers to concentrate on markets where there is no depression, Mr. Vedder replied that this is not necessarily the right policy because it is not well to concentrate on any markets; that he would not keep away from a market because the exchange is off but would want to be satisfied that it was not likely to go off more. He added that steady progress is made from the time the exchange hits bottom and begins to go back. For instance, the franc which was worth twenty cents is now worth nine cents. We are in the habit of thinking that this puts the users of francs at a disadvantage. This is not necessarily so because francs are easier for the average Frenchman to get than

formerly, and it is to be remembered that money is simply a token used in trade.

Daniel Lindo, Hagenmeyer Trading Co., cited the case of an American manufacturer who sent his traveler to Brazil when the dollar had increased in value to the point where it made the sale of his goods possible. The traveler was authorized to make the sales at the ordinary list prices, less the ordinary export prices quoted by the manufacturer for direct shipment to the Brazilian importer against time drafts. The drawee was at liberty to pay the bill at a certain fixed rate of exchange, six milreis. When the shipper made the sale the exchange rate was about nine milreis. The manufacturer when these bills were paid kept the money in the Brazilian bank, hoping that the exchange would go down, but he was prepared to take the loss in case it did not go down to six milreis.

Rebuilding Devastated Credit Regions

By O. T. Erickson

The Carter's Ink Co.

THE rebuilding of devastated credit regions is not only a matter of credit. It is largely dependent upon a sound and liberal sales policy.

The credit situation of today is difficult, but it is not impossible. In the quest of dividends overseas, the true exporter takes his losses valiantly. He accepts them as a necessary part of his cost of doing business. No worthy American enterprise quits the domestic field as hopeless because of experience with dishonest or unfortunate customers. Some foreign customers have taken advantage of the unusual conditions existing during the past few years. But this is true also of the domestic trade. The exception should not overrule the vast majority. *The export manager and the credit man should not quit at a time when fearlessness and ability are at a premium.*

No new credit or sales technique is needed in our problems of reconstruction. The past supplies us with hundreds of precedents. Conditions confronting us today do not differ from those previously and successfully overcome. We must avoid hasty and drastic action. We must show a proper regard for the rights of others. We must remember that there is a future as well as a present to be protected. With close co-operation and with full and complete confidence in the integrity of the worthy importer over-seas, there can be no doubt as to tomorrow's profit.

Rebuilding devastated credit regions is possible only through sales in which credit is granted. *It is on a credit basis that the house with a broad policy is seeking its share of foreign business.* The far-sighted business man, far from being misled by conditions of the moment, is sending his salesmen abroad to secure his share of export trade today. By so doing he is building his own future and receiving his full portion of the substantial, steady improvement in conditions.

Conditions are improving. Devastated credit regions are rebuilding. Many millions of dollars worth of merchandise, which a year ago congested the ports, has been absorbed. Importers' stocks are showing need of replenishment. In one far-eastern country the

largest wholesaler a year ago stated positively he had over a year's supply of our merchandise. A few months ago he ordered heavily by mail items which he honestly believed a year ago he would not need for some years.

The first step in rebuilding devastated credit regions is a mental step. The management of American business must realize a fundamental truth. Regardless of loss of capital resources due to depreciation in exchange, reduced values and over-stocks due to simultaneous arrival of cumulative orders, the overseas merchant retains his greatest assets. These are his character and his capability. Where character and capability exist there is the one sound foundation upon which credit and sales on credit can wisely be rebuilt.

It cannot be emphasized too strongly that *the credit man and the export manager are logical friends and not natural enemies.* Promiscuous sales solicitation is as fatal to the rebuilding process as is a policy of cash at inland factory. If the credit man has no orders on which to pass credit then he has no job. If the credit man unwisely credits foreign orders so that tremendous losses follow, then the export department is wiped out. But when by wise and courageous team work, the credit man and the export manager bring business into being, maintain it and increase it, their joint reward is inevitable.

Early in 1900 an earthquake devastated an entire country. It was one in which we were groping for adequate sales representation. We had our initial shipment in transit. The importer had no credit standing and the goods went forward with sight draft attached to bills of lading. The day the earthquake occurred, the sales and credit managers held a conference. The shipment was a trial order amounting to only \$150. From a credit standpoint the account was hopeless. But we needed representation and the export sales had proved the sales possibilities of the country. From preliminary correspondence it was made clear that the customer had sales ability. We decided to build goodwill out of the apparent misfortune. We cabled the customer

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U. S. Hoffman Machinery Corp., New York, say:

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asking only if he and his family had happily escaped injury. We cabled the bank to release shipment on open account. Then we wrote at length our sympathy to him as an individual and to his country as a nation. We told him to think first of himself and his interests. If he cared to accept the shipment on open account and pay at his convenience this would please us. We received a payment in course of time. We have since extended to him credit as high as \$3,500. Our many thousands of dollars in sales to him are based upon good will. Out of the ruins and ashes of devastation due to earthquake and fire, we rebuilt credit and sales on a foundation of gratitude.

Many years ago we received a small order from a native in a far eastern country. The market was new to us, but it was a worth while market if we could secure our fair share of consumption in our lines. A large English competitor monopolized the market. Our prospects for sales through the large English houses were not good.

This native firm had never before ordered goods from America. Credit reports, originating in England, warned against extension of credit to the man they called a native with a black skin. These credit reports told us not to pass favorably on the one hundred dollar order. Based squarely upon our need of representation and the potential value of the market, we made shipment on ninety days d/a terms. For I have learned from over twenty years in the foreign credit field that the right to credit is not necessarily a matter of creed, race or color of skin. Today we ship this native with a black skin order of \$3,500.

In our quest for precedent to aid us in re-building devastated credit regions we can find many instances in Mexico as it was prior to the world war. If I may be permitted one proud boast for our credit and sales organization it is that we never deserted Mexico. Every order not manifestly fraudulent was shipped on credit terms. Our own salesmen visited Mexico and maintained sales and credit contact. We studied the sales and credit needs of every state in Mexico and the credit needs of every account in each state. Then we met the need.

Customers were wiped out of business; but they returned and we helped them rebuild. When they were again on their feet they paid their old obligations. Our book losses in the seven years from 1908 to 1914 inclusive were less than \$600.

Our more recent experience with Cuba may be of interest. The moment the moratorium was declared, with the help of our foreign sales department, a letter was mailed to every good Cuban customer on our books. In every case we expressed our confidence in the customer. As evidence of our confidence we cheerfully extended time for payment for an indefinite period. Beyond this we offered to ship goods that might be needed to keep dealers' stock complete.

We believe this is one of the best business building letters we ever wrote. We recognized when the business moratorium was declared that it was not possible for our customers to pay all their debt. We knew from previous experience that as soon as a moratorium was removed not even then would every house be in a position to pay all its obligations. Recovery would take time. Our customers there knew that we were offering them in our letter no more than they could do; but the mere fact that we made our offer in good will appealed to their sense of fairness.

In mailing this letter we understood it would not be possible to enforce a payment for some time after the lifting of the moratorium. For this reason we believed it sound merchandising to build goodwill among the Cuban trade. This letter brought many exceptional letters from Cuban customers. Our percentage of Cuban collections today will average as high as that of any other business house except in cases where others have taken legal action and lost customers. Not only are we receiving payments, but we have also enjoyed the receipt of substantial orders.

I have been surprised at the amount of business there is in Cuba today. I recall one shipment made in December to a customer, amounting to about \$5,000. This obligation has now been cleaned up. It means that there is business in Cuba and money too.

The credit grantor should stop and inventory himself. Is he the man prepared to participate in the world's big commerce? Is he ready and prepared to do a big man's work? By mobilizing our credit resources so that they may be used by the honest merchant overseas, the credit man can help rebuild devastated credit regions and build a world-wide good will.

Mr. Golden in the Chair
The afternoon session of the Export Managers Club of New York was pre-

sided over by Harvey E. Golden, General Fireproofing Co.

Before starting the regular program, Mr. Golden called attention to the fact that the purpose of the club was to give opportunity for discussion of all important matters connected with export trade, and to permit each member to form his own opinions after enjoying the benefit of a free and open discussion.

There is, he said, a liberal interchange of information among the members as a result of which they quickly sense improvements or declines in the trade of the various markets. During the past few months, for instance, there has been a steadily increasing demand from many of the important markets of the world, and through intercourse with one another the members felt this forward movement in foreign trade and were able to look together into a brighter future.

The time has come, he declared, when manufacturers who really have a definite program for rebuilding their foreign trade are securing the benefits of it. They are finding that if they have a product for which there is a market in foreign countries they can sell if they are but properly organized in their export department and are backing up that department with a sincere desire to win.

Unfortunately the editors of many of our magazines and newspapers do not realize that export business is not a solid homogeneous mass of trade, said Mr. Golden. Recently there appeared an editorial under the heading, "Our Foreign Trade Blowing Up." The editorial made an apparent statement of fact, but gave nothing to support it. The sentiment in the article is that nobody can sell goods unless his price is right, measured against the prices at which other men offer the same kind of goods; and the writer fails to understand that there is a sales element in export, but takes it for granted that trade flows back and forth between the nations like the tide of the ocean. There is no realization that there must be some personal effort back of export transactions. The editorial writer goes still further, saying that the foreign buyer cannot buy because of lack of gold; and yet, said Mr. Golden, we know that the foreign buyer is buying even though the United States has so large a proportion of the gold of the world within its treasury and banks.

Such articles, declared the chairman, are holding back many concerns who should be making an effort for foreign business. Although we are not primarily an export nation, individually we are the most capable exporters in the world, and American merchandise and American selling methods have won their way in the markets of the world.

Growing Need of Personal Field Work By A. D. Mellor

Supro Building Products Corporation

NOT long ago, I had occasion to send instructions for the renewal of a letter of credit, which had expired, to one of our traveling salesmen in South America. It was not my part to look after such financial mat-

ters, and I referred it to our company's treasurer and asked that the credit be renewed. The matter was turned over to a subordinate, a man of considerable intelligence. He called up the bank that had originally issued the credit.

The message came back from the bank that it would be impossible to renew the letter of credit as the bank had no correspondent in Lima; the nearest place it had a correspondent was Callao. They were sorry but they could not handle the matter.

Anybody who has visited Peru knows that the distance between Lima and Callao can be covered in a twenty minute trolley ride and that the bank could have served as well in Lima as in Callao. The lack of knowledge of this fact lost business for the bank because the man arranging the matter went to another bank. Those having to do with foreign trade have many similar experiences.

We once closed a contract for two buildings for oil storage. One of them we were to build on the east coast and one on the west coast of South America. The buildings were to be identical except that an end of one building was to be divided into living quarters, because the hotel facilities of the town were not good and the man in charge of the business was to live in an end of the warehouse. The buyers were anxious to get the warehouse with the living quarters completed when they placed their order and postponed delivery on the other building until later. We started work on the buildings but the buyers changed their plans and wanted the other building first. It was a matter of sorting out materials in order to make the first shipment. I put the matter up to the official in the factory and he made the brilliant suggestion that we ship all the material for both buildings to one coast and let the customer sort the material there and re-ship that which should go to the other coast. Here was another case of failure to think a problem through.

As we go higher up in business organizations we are sometimes amazed at the failure to grasp matters of great importance in export trade. I recall an adventure in exporting in which I had to use my best wits to correct a ridiculous error.

Some large manufacturers in the United States wanted to establish relations in Argentina. Considerable expense had been gone to and they began operations with new selling organization in Buenos Aires equipped with a full corps of men of high intelligence and good financial backing. The Argentina men were operating with another concern with an equally good organization in this country and the American manufacturers of standing were supposed to market through these two working units, one here and one in Argentina.

The promoter of the idea was a skillful promoter and presented a very plausible plan. He had an elaborate luncheon at the conclusion of the arrangements, and the men who attended were recognized business men from whom you would naturally expect wise decisions. None of them, however, cabled to the other end to see whether the working arrangements were as represented here, but took it for granted that everything at the distant point was all right.

When I reached Argentina, I found a bad mess to clean up. The men at Argentina had had large business experience and yet this promoter had hoodwinked them in such a way that they did not take reasonable precautions. Apparently when able men consider export matters they are often dazed; they

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G. Stanton Floyd-Jones, Secretary.

do not follow their customary methods of thinking problems through.

Now the fundamentals of export selling and those of domestic selling are not different. The basic problems of selling can be solved in about the same way in the foreign field as in the domestic. There are important details in each and the proper handling of details often spells success or failure. It is in knowing how to handle these details that the importance of a well trained export man is seen.

In the domestic field, if the general sales manager fails to get out into his territory and learn it through personal contact, he is considered inefficient. Yet our business leaders frequently think it unnecessary for the export man to get out into his territory. Apparently our reasoning functions sometimes come to a stand-still when we encounter export problems. In export selling we have pioneer work just as we have pioneer work in domestic trade. In either case, if the pioneer selling problems are to be properly solved, intimate knowledge of the market is required.

When the export manager suggests the necessity of the study of foreign markets at first hand, it sounds to the directors oftentimes like a request for a winter vacation at Palm Beach. They evidently have visions of the export man falling into a bed of roses with a retinue of slaves serving him nectar and cooling him with scented fans. As a matter of fact, the situation is quite different. The export manager leaves a comfortable home and has to accustom himself to inconveniences and discomforts; he has the hardest kind of work

under the most nerve-racking circumstances; and he concludes his trip with the hope that he will never have to take it again. The appeal for funds for field work for the export manager is often met by directors with the question, Why is it necessary to spend the money? These boards of directors, apparently, have no idea that just as it requires special work and close application to get domestic business, so it requires the same methods to get business in the foreign market.

The slogan last year and this, in the domestic market is "Get out and fight or others will take the business." The same slogan ought to apply to both markets. As funds are necessary for intensive domestic work they are also necessary for intensive foreign work.

In his book, "The Gospel of Wealth," Carnegie acknowledged that credit for his great success could not be taken entirely to himself and that he had to give credit to the fact that he grew up and developed his business in a country which had a wealth of natural resources and that the gifts of God and the assistance of his fellowmen had enabled him to build up his enormous properties. I believe we must grant that it was not entirely due to our own cleverness in our business enterprises that we have had great success. Other countries of the world have great natural resources. The resources are going to be developed. Not many of these countries are near the stage of development that we have already attained; but Brazil is interested in steel and is doing something. Last year at the Steel Institute meetings there was an elaborate discussion on what India

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is doing in steel. Recently we find Australia establishing a policy of Australia for Australians. Possibly, it is only the politicians who are trying to make the people believe that they are self sustaining. However, we are going to face a new competition in our foreign selling work.

We have heard much of the part the United States has already taken in the years gone by in the export trade, but let us say that the men of the previous generation here worked with great natural wealth behind them. We still have, to be sure, great natural advantages, but these are not going to be the great help to our export trade of the future that they have been heretofore. We must do some fast intelligent work and make such preparations for export trade as have never before been necessary.

The best way to solve our problem is to know the markets; and the only way to know the markets thoroughly is to go out and study them. That ought to be self evident. Anyone who has been the rounds in a foreign field and inspected agencies that have received their appointments by correspondence, does not need to be told that there are many bad misfits among the agents. I have seen many agencies appointed through correspondence which might just as well have been in the back woods of Maine, so far as giving promise of service in the foreign country is concerned. There was no chance of propaganda work through these agencies.

As I think over the products that I am familiar with in the building line, I see that in both export and domestic selling a large part of our work is pioneer work. It was not long ago in domestic selling, (even in New York,) that in introducing reinforced concrete materials we were doing pioneer work. That time has passed in New York, but in many foreign countries they are still going through the pioneer period and need the intensive pioneer selling which we had to do a few years ago right here.

Though I know New England well and understand its people, I recall our painful experience in getting the adoption in New England of reinforced concrete, though New York had already ac-

cepted it. I found that same condition in Argentina. I found it there even though in America reinforced concrete was accepted without question. Under such conditions real selling ability is called for and its only by sending out well-equipped men to foreign parts that a market can be opened.

America is to meet steadily increasing competition in the foreign field. The countries of Europe have been sending, and are going again to send their well trained technical men into foreign parts. It is said that out of 100 graduates from technical schools in Germany before the War, 90 went into the foreign field and only five or ten stayed in their own country. The very best of the sons of continental countries went into foreign fields to make their homes. So when the directors of a company point to the success that

THE CREDIT MONTHLY

they enjoyed in the foreign field prior to 1900, without going to large expenses in preparation, we must point out to them that the export men of today are facing a new set of facts, new problems which must be met in a new way. Men who are sent to foreign fields now can lead and inspire sales in such a way as the agent locally appointed cannot. The men whom we send out will be more intelligent advertisers of our goods than local agencies. By going into the field and studying closely we can do better advertising work than we can at long range. We will learn how to co-operate with the native business men in a way that we cannot when we do not have personal representation by men trained at home.

The chairman then presented Fred S. Phillips, who spoke on: "Arguments For and Against Consigned Stocks."

Arguments For and Against Consigned Stocks

By Fred S. Phillips
Export Merchandising Counsellor

EUROPEAN countries have developed extensively the consignment method of handling foreign trade. This form of trading became so generalized that the word itself and its variations are commonly used today in ordinary business even though the use of the word may not imply its original meaning. Nearly every shipping document bears the word "consignee."

As foreign traders European people have been pre-eminently successful. With increasing competition and a closer margin of profit they sought ways and means of developing larger volume, we all know with how great success.

In the earlier days of our nation, European exporters sent consigned stocks to our shores. They must have pondered long before taking this step and watched anxiously to see the result. The fact that they continued the practice and extended operations and that Japan has more recently followed the European lead, is evidence that *consignments abroad need not be suicidal*.

Studying the methods employed in effecting consignment arrangements, we find that they were effected with deliberation, caution and thoroughness in detail. This cannot be emphasized too much. Let us see how the pros and cons work out. I realize the difficulty of playing fair with my subject, of treating it on the basis of a normal method of merchandising abroad, while yet world affairs are sadly askew. However, there are certain underlying principles which are invariable.

Our understanding and belief in many matters are often changed by experience and in the light of further developments. But *knowledge* is another thing. When we know a thing, when we have found the facts, when we arrive at the Truth, we are on solid ground.

Let us take the statement: "The principles of selling are the same everywhere; the application of those principles varies with the conditions." We know this to be true, but often we find that the application has been faulty, or short-sighted or stupid. It was our understanding, or the lack of it, that was amiss. We knew the principles to ap-

ply, but erred in our application to a certain set of conditions. And the result was in direct proportion to the rightness or wrongness of our understanding as to the proper application.

In preparing this paper I sought out men who had had experience with consignments abroad and received a variety of impressions. Drawing also from my own observations and experience, I arrived at a list of pros and cons. The more I studied this list the more this fact stood out: American exporters have failed to make a careful study and analysis of all sides of each particular case and have not come to a decision on the basis of ample and definite knowledge. We have trusted too much our understanding and belief.

Cases of failure of a consignment arrangement to work out profitably were reported to me, which admittedly were entered into as a compromise or by force of circumstances, after the goods were shipped. In such case blame the man you trusted, blame the market, or the conditions militating against you. Do not blame the consignment principle and swear off for the rest of your life.

It is offered as an argument against consignment abroad that the shipper and owner of the goods is exposed to all the elements of chance,—a falling market, slackened sales and a slower moving stock, damage, leakage, deterioration, failure of agent or distributor to push in good faith the sale of the goods.

The answer is that a carefully prepared consignment arrangement and the proper preliminary survey and study of the conditions, would take care of such contingencies, which should be possible of foreseeing.

Let me give vent to the irritations stored up against some of our manufacturers during my sojourn in foreign parts because of their attitude and apparent viewpoint. They seem to feel, often, that it is a legitimate business arrangement that heaps the responsibility for all contingencies, losses and worries, on the man at the other end, while they, the sellers, get the gravy.

Judging from their attitude "The

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buyer should shoulder all the responsibility and carry all the burden; the seller does his part when he sells the goods, gets his money, pockets his profit; he is through when the goods leave his hands." Would he however like to buy his material on that basis?

No contract is valuable which does not benefit both parties. No business is healthily that is not based on the consideration of equity. Even pure selfishness suggests that.

We have no justification for sweepingly condemning consignments. There are many instances on record where consignments abroad are practicable and profitable. Whether a consignment arrangement is practicable and profitable depends upon the particular set of conditions in each case. To enumerate a few of the conditions:

1. Class or nature of goods.
2. Adaptability of the goods to the particular market.
3. Competitive conditions and procedure.
4. Storage facilities.
5. The 3 C's of agent or distributor.
6. Merchandising policy.
7. Seasonable goods and models.

To enumerate some of the objections:

1. Impracticability of return of goods because of distance, high cost of freight, etc.
2. Difficulty of control of stocks by consignor and of checking and revising same, and verifying the correctness of agents' or distributor's reports of sales, remittances, etc. This can be taken care of by maintaining a traveling auditor or the services of a public accountant locally.
3. Conversion of values in foreign currency and back again. This can be solved by agreeing in advance on a fixed rate of exchange, which can be adjusted from time to time as the state of exchange is altered.
4. Deterioration, shrinkage and danger of goods getting old, depreciated or obsolete. The solution here lies in carefully drawing up the arrangement and foreseeing the possibilities by studying the conditions.
5. Danger of agent or distributor failing to fulfil his responsibility to keep stocks moving, to watch his credits, fight competition, etc. A proper and adequate investigation and study of the agent's or distributor's capability and character should obviate this danger.

I accept these as valid objections, but not as reasons for refusing to consider consignments abroad. Every one of them must be carefully considered and satisfied if one would avoid the pitfalls, disappointments and losses they harbor, but they are as avoidable as any domestic risk can be.

I listened for two hours recently while a man poured into my ear a string of costly experiences that he and his company had had with consignments abroad. It was a pitiful tale of disillusionment and chaos and caused me to weep bitterly. After finishing this harrowing account of energies misspent, he frankly admitted that there was not a single instance of trouble that could not have been avoided had he taken the proper precautions to safeguard against them. "We have lost hundreds of thousands of dollars," he declared, "but I don't blame the principle of consignment: I blame our faulty arrangements."

There are of course, certain products which do not lend themselves to consignments abroad. There is for instance a house in Havana that has had a room full of special pumps, machinery and other specialties since long before the moratorium. Occasionally a pump or other unit is sold out of there; but a consigned stock of this sort is quite wrong and should never have existed. There is another house in Havana that has had a stock of trucks on hand for six years. Still another with five assortments of motor generator sets. Some time ago a motor car company



TRADE INFORMATION

Branches of The National City Bank of New York and its affiliate, the International Banking Corporation, are located in all of the important commercial centers of the world. In each of these branches a special study has been made of local trade conditions and this information is available to our customers.

THE NATIONAL CITY BANK OF NEW YORK FOREIGN BRANCHES

ARGENTINA	CUBA	PORTO RICO
Buenos Aires	Branches in Havana and all Principal Cities on the Island	Ponce San Juan
Rosario		
BELGIUM	ENGLAND	RUSSIA
Antwerp	London	*Moscow *Petrograd
Brussels	City Branch West End Branch	
BRAZIL	FRANCE	URUGUAY
Pernambuco	Paris	Montevideo
Rio de Janeiro		Sub-branch— Calle Rondeau
Santos (Agency)		
Sao Paulo	ITALY	VENEZUELA
CHILE	Genoa	Caracas
Santiago		
Valparaiso	PERU	*Temporarily Closed
	Lima	

INTERNATIONAL BANKING CORPORATION BRANCHES

CALIFORNIA	DOMINICAN REPUBLIC	JAVA
San Francisco	Santiago de los Caballeros	Batavia
CHINA	Santo Domingo City	Sourabaya
Canton	ENGLAND	PHILIPPINE ISLANDS
Hankow	London	Cebu Manila
Harbin		REPUBLIC OF PANAMA
Hongkong	FRANCE	Colon Panama
Peking	Lyons	
Shanghai		SPAIN
Tientsin	INDIA	Barcelona Madrid
DOMINICAN REPUBLIC	Bombay Calcutta Rangoon	Straits Settlements
Barahona		Singapore
La Vega		
Puerto Plata		
Sanchez		
San Francisco de Macoris	JAPAN	
San Pedro de Macoris	Kobe Yokohama	

sent a large consignment of cars to the Far East. It would have been a good proposition if the company had sent a modest shipment and followed it up with successive shipments of moderate size, and had scheduled the time and size of each shipment in ratio and in accordance with the agent's or distributor's reports of sales. But the distributor found himself harnessed to a huge quantity of cars at one time, with a corresponding huge expense and no proper facilities. The distributor's opinion was not even sought. He threw up his hands and cabled the manufacturer to come out and sell his own cars as best he could. Whom do you blame?

Let me indicate briefly some of the advantages that consignments abroad have to offer in the way of opening up new markets and increasing the volume in those already covered, let me cite an example or two:

As an introductory plan of merchandising a new brand of flour, a manufacturer some years ago offered consign-

ments to the importers, carefully selected, and the manufacturer's salesmen then proceeded to work with the importers to introduce and sell this flour to the bakers. The result was that this brand of flour gained a large proportion of the Cuban trade, which it still largely holds. The importers would not themselves have taken the responsibility of buying this flour before it had a market. The manufacturer took the one logical step to gain the market

In introducing a patent medicine, toilet article, safety razor and similar goods, that sell largely by virtue of advertised trade mark or trade name, it has frequently been found desirable, if not indeed necessary, to place consignments with the importers, upon which a publicity campaign is instituted. This creates a demand. When the dealers find there is a demand and their faith is awakened in the saleability of the article, then they order on their own account.

This we may call a temporary form of consignment abroad, but it shows one



Wherever electricity is used
Bryant Superior Wiring Devices fill every electrical need.

Sockets	Receptacles
Switches	Plugs
Rosettes	Panels
Fuses	Plates

THE BRYANT ELECTRIC COMPANY
NEW YORK BRIDGEPORT, CONN. CHICAGO SAN FRANCISCO

of the uses to which the principle of consignment can be put.

In many, if not most, of the European consignment arrangements with this country, a bank figures as a fiscal intermediary and as a check on the agent's credits, the amounts of his withdrawals from stock, his collections and remittances. This offers a method of security and control of stocks abroad which in certain countries can be used to distinct advantage.

There is a manufacturer of a semi-finished product who maintains consigned stocks in six or seven manufacturing countries of Europe and Scandinavia. He is thus enabled to make prompt deliveries on the ground, whereas he could not hope to get a share of the business in those markets if he sold for shipment from factory, as he has European competitors who would always beat him to the business on the basis of delivery alone.

We in America seem all too prone to gauge a man's worth as a selling medium by the amount of money he has. I have often seen and myself experienced the fact that, where an agent abroad was lacking in adequate capital, he amply made up for that lack with capacity and character. To such agent a consignment, properly made, can often be profitably extended. It thus makes possible the use of an agent who, otherwise, through lack of capital could not be considered as a selling agent, though he be superior to any other available, of stronger financial status but less desirable as a selling medium.

To sum up, I believe the facts demonstrate that it is not the principle of consigned stocks that is weak but rather the faulty application of that principle in many cases.

Discussion of Mr. Phillips' Paper

Mr. McElroy pointed out that on certain trade-marked articles it is probably necessary to put goods out on consignment in order to induce sales; but speaking generally, he had never seen a consigned stock proposition work out to the satisfaction of both parties. There are always questions coming up, and the manufacturer usually gets the

worst end of the argument. Furthermore, selling on the consigned basis is not fundamentally right. When a stock of goods is consigned it is not sold. Trying to sell on that basis is simply a compromise all the way through. It is far better to fix the terms so that the buyer does not have to pay before the time he figures he can sell the goods. In this way an actual sale is an accomplished fact and one does away with all the trivial disputes that so frequently characterize consignment contracts.

Paul Mahoney, Wahl Co., opined that the consignment method was wrong in principle, for a merchant does not have the same incentive for taking an interest in goods as when he has capital invested in them. If his money is invested he will put forth the maximum of effort to get rid of the merchandise and turn it into money. There are exceptions, possibly, to this rule, and times when consignment business has worked out satisfactorily. When such business has worked out satisfactorily it is because the shipment was preceded by a survey of the conditions of the market, and the concern to whom the consignment was made was followed up by expert sales efforts in behalf of the goods.

Replying to the suggestion that there be long term credits, Mr. Phillips pointed out that the long term credit is not according to the American habit, because Americans are opposed to long term credits. And even if the long term credit were extended, it is to be remembered that the foreign buyer has the goods and has not put his money into them. While not ready, he said, to argue as to what is the right underlying principle of consignment, it might be

expressed this way: The consignment principle is right if there has been a consideration of all the evidence which has been brought together and placed before the shipper for consideration to determine whether a consignment is justified. The question should not be whether the consignment is the best manner of selling the goods. Of course the best way to sell goods is to get cash for them; but sometimes we must use other methods in order to sell, and in opening up the foreign markets we must meet conditions as we find them after close examination.

Mr. Ackerman expressed the opinion that most competitors had found that they had been led in their consignment contracts to consign too heavily, and if we examine importing houses it will probably be found that the goods of which they keep big stocks are consigned goods and that the goods they have bought and paid for are not held in large quantities. The solution in the greatest number of cases is, that instead of consigning a man 200 cases of goods, he be sent about 50 cases on a three or four months' credit basis, because if it be a consignment he always wants more than he can dispose of within a reasonable time, but if he knows that he has to pay in a certain time he is generally more moderate in his orders.

Chairman Golden pointed out that there is an important fact to be considered in consigning goods: as long as the merchandise is on consignment the seller is a partner to the deal, and unless there is some well defined plan in assisting the sale of the merchandise there is likely to be trouble.

Sales Promotion by Mail

By Elmore Salisbury

Brunswick, Balke, Collender Co.

SALES promotion by correspondence is of such vital importance to every export manager, that I have not wished to depend entirely upon my own experience in the preparation of this paper. I have asked for and obtained the collaboration of a dozen or more export executives.

The ability to express one's self clearly, coherently and with unfailing courtesy, is a sine qua non for the successful conduct of export correspondence, be it confined (a) to the simplest form of sales promotion on a minor scale through manufacturers' agents, (b) to complete relations with executive agents who purchase thousands of dollars worth of merchandise for their own account annually, (c) to the perplexing situations incident to marketing merchandise through a group of retailers no one of whom enjoys exclusive sales arrangements, or (d) to the executive direction of foreign branches.

In order to present the subject somewhat systematically, the use of the International Mail Service in creating and holding trade may be classified:—

1. The periodical mailing of descriptive pamphlets to both prospective and actual clients. In order to accomplish the desired end, this literature must be attractively designed, printed in the language of the country of destination and at all times with due regard for racial peculiarities. Moreover, the literature must
2. The intelligent use of circular letters, the practicability of which has been greatly advanced by the perfection of the automatic typewriter and multigraph. These two devices have done much to enhance the value of circularization, because the finished product is clean looking, makes easy reading and consequently merits and receives the attention that would otherwise not be given.
3. The sending of well composed individual communications to selected names on mailing lists obtainable from many sources, and notably through the splendid service rendered by the Bureau of Foreign and Domestic Commerce. The ordinary circular letter included in the second classification, should not be used in these cases, since it is impossible to prepare a message for general distribution that will cover the ground sufficiently well.
4. Comprehensive replies to inquiries that come through advertising or other forms of publicity.
5. Constructive advice to representatives after relations have been established.
6. Letters of instruction to branch managers and traveling



The Selby Shoe Co.

Manufacturers and Exporters
WOMEN'S MEDIUM AND HIGH
GRADE FOOTWEAR

PORSCMOUTH, OHIO,
U. S. A.

salesmen so drawn and worded as to be free from any ambiguity whatsoever, being designed to create in the recipient's mind the ability to transact the business in hand in exactly the same way as you would yourself, if on the ground.

The first three classifications need perhaps no further elaboration, because, although extremely important, their use is largely mechanical. If well established rules are followed, an appreciable step forward will have been made. As to the fourth group, the proper management of specific inquiries, it seems to me that I cannot too greatly emphasize the importance of the first reply to a prospective customer's direct manifestation of interest.

It is by no means safe, by the way, to assume that a simple postal card carrying a line or two merits little attention. I admit that satisfactory business relations come into being more frequently with houses that in their initial communications submit in detail complete information concerning themselves, their market and their competition, as against the humble postal. But this does not always follow. For example, something over two years ago, I received a two line message requesting catalogs. A recent examination of the account established through that means, disclosed the fact that \$100,000 of merchandise has been shipped, and orders amounting to \$25,000 additional are now in hand. So I say that although many inquiries received, many emanate from mere curiosity seekers, it is better to give to each correspondent the benefit of the doubt. One good client obtained will more than repay for all the energy and time expended.

Granting that a carefully constructed letter is dictated describing a line, quoting prices, discounts terms and with some facts possibly concerning the character and facilities of the company, I maintain that something vital and most necessary is lacking: *first*, no means by which the importers can get a line on the manufacturer from disinterested parties; and *second*, no indication of a knowledge of conditions obtaining in the country under considera-

tion. Nothing is more certain to interest a firm considering your line than an ability to set forth in your letter a knowledge of the location and importance, commercially, of the principal cities in the territory, the communities that are tributary and subsidiary to the several commercial centers, and the demonstration of your ability to discuss intelligently commodities exported from the territory in question. Your desire or lack thereof to import their merchandise, is entirely apart from the question and does not bear upon it, since in this instance, the reference is made as a bit of finesse in your endeavor to create friendly points of contact. Go a step further, and reason with your correspondent along his line of thought in contra-distinction to your own. It is not always possible for every export manager to obtain adequate geographical education first hand through wide travel, but a sufficient amount of data can be obtained by application and study and insofar as the ability to put one's self in another's position is concerned, and think with him, this comes through experience and practice.

What I have said has to do with the creation of business. Now as to holding satisfactory connections once established: The successful marketing of imported merchandise is surrounded with many difficulties and fraught with no little financial peril. The dealer must maintain close contact with the demands of his market, must be able to prognosticate with some degree of accuracy what the demand will be six months hence, or else find himself heavily overstocked or short some easily saleable article. He must watch exchange closely, know what his competitors are doing, be in touch with special conditions arising throughout the territory that may mean the difference between success and failure in disposing of merchandise on hand, in transit or covered by forward commitments and that in any event must be paid for sooner or later. The exporting manufacturer who assists his distributor in solving any or all of these problems materially strengthens the common bond between them. The time is coming, if it is not already here, when the exporter must be equally interested in assisting his distributor in the resale of the merchandise, as he is in moving it out of his own factory.

I try to handle important correspondence during the early hours of the day, because it is the more difficult part of the daily routine and one's mind should be as fresh and active as possible. I recall visiting an English friend in the Far East some years ago. This man in his office was as keen and shrewd as may be imagined. Along about four o'clock, he suggested going home for a cup of tea. After the tea had been served, he stretched out in a reclining chair and said to his servant—"Boy, cross my legs. Mr. Salisbury, will you have your legs crossed?"

The application of the story here is that many letters are written, perhaps, when one feels more like relaxing, with correspondingly unsatisfactory results. I like to think of letters as pen and ink etchings of the mind of the writer. If they are, we should write them with the same painstaking care used by an artist when he is producing a work of art.

Constructive Exporting

THE most efficient, up-to-date methods must be adopted to put our export business upon a sound and profitable basis.

Experienced Exporters are more and more turning to the larger, better organized freight forwarding concerns for advice and service in handling their foreign shipments.

We offer you an organization experienced in the many departments of export shipping, a reputation endorsed by many of our leading exporters and a financial standing second to none.

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Foreign Freight Forwarders

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Philadelphia

Discussion of Mr. Salisbury's Address

Mr. Phillips emphasized Mr. Salisbury's point that the manufacturer should be concerned not only with selling his goods to his customers, but vitally interested in helping customers move goods off their shelves. If that thought were more in mind, he declared, manufacturers would attain greater success.

Mr. McElroy spoke on the demand in this country that letters be brief. Brevity, he said, is perhaps important in correspondence between New York and Chicago merchants, but it is not the quality most sought in correspondence with foreign countries. There is often no more intelligence, he said in handling export correspondence than was exhibited in an incident which had been called to his attention in which a party in Argentina had written to a manufacturer in Michigan regarding a motor accessory, asking for a catalogue and prices. The export manager

RUSSWIN

RUSSELL & ERWIN

Builders Hardware
Night Latches
Door Closers
Food Cutters

Russell & Erwin
Mfg. Co.
96 LAFAYETTE ST.
NEW YORK CITY

*The American Hardware Corp. of N. Y.,
Successor*

here replied to the Argentinian that he had referred his request to his agent covering the Argentina who was located in Brazil. One trouble is that in Brazil Portuguese is spoken, while in Argentina Spanish is the language. There is, moreover, about as much love between them as between the North and South of Ireland.

Mr. Cummings, Monroe Calculating Machine Co., observed that Americans have allowed themselves to fall into the habit of curtiness in their correspondence. In dealing with a foreign field he had found it paid to go out of one's way to be complete, explicit and courteous, even at the risk of writing what seemed to be too long a letter. The habit of brevity in letter writing, he said, is one of the biggest obstacles to the development of foreign trade through correspondence. One can write Pittsburgh and get answer the next day; in writing to the Far East it takes eight or ten weeks to get an answer. Even if the answer is prompt the most that can be expected is to hear five or six times in the course of twelve months

when dealing with India or Australia. The only way to make up for this loss of time is through completeness of correspondence.

Mr. Mahoney said that the export department must be at liberty to take up matters of importance by cable. One of the first things which ought to be done when dealing with a customer is to find out what his code is, so that there will not be too much expense in cable correspondence. Miss Lucy Goldsmith, Aeolian Co., indorsed this, and declared that again and again she had been successful in getting ahead of competitors by using a cable so worded that the foreign customer would wait for the explicit letter referred to in the cable and close no negotiation until the letter had been received.

Mr. Cummings pointed out that foreign buyers apparently are following the American method of brevity to a disappointing degree in their attempt to write what the American looks upon as a good letter. He had received letters from foreign distributors who had written, thinking that they were conveying impressions of their selling problems and market conditions—matters of vital interest—but because they felt it necessary to bring their letters into small compass, they failed to give the American shipper the information he required.

Mr. Phillips said it was not so much the length of the letter as its constructive, informative value; that he had seen long letters in which information was given, but not as clearly as

AMERICAN WOOD WORKING MACHINERY CO.

Manufacturers of

**High Grade Wood
Working Machinery**

*Executive Offices and
Export Department*

**ROCHESTER, N. Y.
U. S. A.**

in the catalogue itself. If, for instance, one is writing to describe a machine to something else in which the desire is to call attention to certain features, one may easily parallel a book of instructions, catalogue, or other literature. It is better to leave matters of this kind out of the letter and refer to the catalogue, where the description is more specific.

Importance of the Commission House

By H. J. Sheehan

The Norton Co.

THE commission house has been without question the pioneer in our export trade, has continued in an important role and will in all probability be a big factor always.

Those who have developed a foreign demand for our products have had more or less to do with commission houses. Some have probably not given the matter much thought, have been glad to receive the orders of commission houses but have let it go at that. Others have placed too much faith in them. Some have had a few unpleasant experiences while others have accomplished far reaching results through their instrumentality. A proper analysis of the situation will bring out the part the commission house can best play in connection with the carrying on and development of trade.

To the small manufacturer who maintains no direct contact with the foreign customer, the commission house acts as its export representative. It starts the good work along by the distribution of catalogues and in many instances the distribution of samples among concerns who are already buying other commodities. It arranges for forwarding, takes care of customs declarations and finally finances the shipment. To accomplish the same result direct would mean a considerable expense on the part of the manufacturer, this expense probably not warranted by the volume of business. For the large producer, regardless of the amount of his foreign trade or facilities in the

way of an export department with field workers, offices or agents, the commission house clearly supplements their activities.

There are many foreign markets where the demand for a manufacturer's product is not sufficient to warrant the upkeep of a branch office for travelers in the field. Perhaps conditions are such that the employment even of an exclusive agent would not be good business. In such markets the work of the commission house is most effective. Without it the only contact is through correspondence or through the visit of a factory representative at periods of perhaps one to three years. With the combined trade of hundreds of lines to draw from, the commission house can economically maintain foreign offices with an adequate force of trade solicitors to promote the sales of American products. Their efforts are backed up by the home office here which is continually sending out catalogues and special data which has been collected. The orders which the manufacturers may receive individually are small but in the aggregate the totals may run into reasonably large amounts and represent a good portion of our foreign trade.

One of the most important functions of the commission house is that of its service to the foreign buyer. The commission house is the purchasing agent, forwarder and American office of the foreign client thousands of miles away. It is of vital importance to the commission house that its

Indianapolis, June 7

A RE YOU GOING TO INDIANAPOLIS FOR THE 27TH CONVENTION OF THE NATIONAL ASSOCIATION OF CREDIT MEN JUNE 6 TO 9?

If so, you will be interested to know that there will be held on Wednesday, June 7, in the Hotel Lincoln, a foreign trade dinner. Dr. Julius Klein, Director of the U. S. Bureau of Foreign and Domestic Commerce, will be the guest of honor. There will also be other speakers. This will be a red letter day for men interested in foreign credits.

The price of the dinner is \$2.50. Reservations may be sent either direct to the National Association of Credit Men, 41 Park Row, N. Y., or to J. G. Martin, E. C. Atkins Co., Indianapolis, Ind.

SAVAGE ARMS COMPANY

Utica, N. Y.

Manufacturers of

Sporting Rifles
Pistols
Shotguns

client's interests be protected and that goods purchased be the most suitable. With the charges for services varying from 5 to 2½ per cent. and less,—and I am given to understand that 2½ per cent. is most generally in force,—the profit on a single transaction is so small, that it is essential that the service be so satisfactory that future business will be accorded.

Our foreign clients are not all large buyers. It is not uncommon for them to purchase three or four times a year upwards of twenty-five different commodities, ranging in amounts of \$25. or less to \$500. or \$1000. To place these orders with twenty-five different manufacturers, were their address on record, would entail a large amount of work, and cause twenty-five different shipments which in the case of small orders would mean unwarranted forwarding expenses and many customs entries. It is much easier to send the twenty-five orders under one cover to the commission house. The various commodities called for are gathered together in New York or elsewhere and favorable freight and other charges being arranged, make one or two or possibly three shipments instead of the twenty-five which would otherwise be necessary. The commission house invariably looks after the interests of its client, who is paying the way, and by the same token the seller's products are being brought to foreign markets with the lowest possible expense. This helps the American to compete with the European exporter. These are important factors sometimes overlooked in considering the commission house service.

We cannot do away with our export departments and activities and place our future in the hands of our commission house friends. That thought is not to be inferred from my remarks. There are markets, no doubt quite numerous, where our own activities in the way of branches, agents or salesmen are far more effective than commission house service. Other fields, however, bring out strongly the advantages of this institution. It has been said that perhaps 80 per cent. of Australia's trade with America is through commission houses and a large percentage of South

Africa's as well. Other fields show equally high ratios.

To get the best results there is a clear necessity for close co-operation between the manufacturer and the commission house. It should be borne in mind constantly that no one commission house does business all over the world, and facilities, too, are not identical in different markets. In one country an organization may have developed along the hardware line and in another along the textile line. A proper study of the situation is necessary. The commission house naturally will not put itself out to impart information to manufacturers whom it thinks will endeavor to eliminate it in future business.

As to credit problems, which in these days are not the most unimportant consideration in export transactions: Sources of credit information are more numerous now than ever before; in many instances one can collect data quickly on foreign accounts. I say, however, without fear of argument, that the credit manager would much prefer to receive his cash on 10, 30 or 60 days as the case may be, from the New York commission house, than to have a number of drafts out on small accounts spread in foreign fields.

The analysis of commission house service here made of course applies to the real, legitimate, dyed-in-the-wool commission house. There are many such. But unfortunately there are many that are not reliable. The two classes are readily distinguishable. Most export managers have had experience with both kinds. With the proper consideration and co-operation, there is without question a continued definite need and field for the commission house.

Discussion of Mr. Sheehan's Address

Mr. Barry said that his experience with commission houses had been not at all satisfactory, especially when doing business with China where the American commission house had lost caste. Commission houses generally had been hurt, he said, by the fact that they had come out with a blare of trumpets during the war and had gone bankrupt in such large numbers during the past two years,—bankrupt because they were mismanaged. This caused great loss of faith among the Chinese merchants. "My experience is," he said, "that an American firm often appoints a commission house to represent it, perhaps assisted by a representative sent from the factory to push the sales; that the commission house fails to back up the representative and yet leaves the pushing of the sales to the factory representative alone.

Mr. Rausch, Simmons Mfg. Co., told of experiences with commission houses which had come to the manufacturers declaring that the 2½ per cent. commission was not sufficient to conduct business and asking manufacturers to contribute an inside commission considerably in excess of the 2½ per cent., and threatening that orders were open orders and unless inside commission were given the orders would be turned over to competitors.

Mr. McElroy sustained Mr. Rausch's point, citing an incident to show that commission houses would, on occasion, turn orders intended for one house over to another unless demands for an extra

Simonds Mfg. Co.

Manufacturers
and
Exporters of

Saws
Knives
Files
Steel

90 West Broadway
New York, N. Y.

percentage were met. If not met the merchandise would be bought elsewhere, and the foreign customer informed that the concern for which the order had been intended was behind in deliveries and that to give service a product of an equally good manufacturer had been substituted. Mr. Rausch also pointed out that the commission house brings pressure to bear upon its salesmen to make their expenses, and the temptation upon a salesman is constant to sell those articles in his line which run fastest into money. The other merchandise, of which he has samples, is quickly forgotten.

Mr. Mahoney declared that the point to be borne in mind is that there are things the commission house can do for the manufacturer and things it cannot do. The houses which are essentially commission houses act as real purchasing agents for concerns throughout the foreign field. But there are other concerns called commission houses which, in recent years, have developed into foreign traders with foreign organizations. It would be a great thing for manufacturers he said, if there were more houses of the latter description who had strong organizations abroad, and who were prepared to do departmental and special work.

Mr. Mahoney spoke of commission houses that have foreign branches specializing in certain goods, which ought to be backed up strongly and urged to undertake specialization in American products. Manufacturers would be under less obligation to seek out the rather poorly equipped native partner to handle their lines if they undertook to develop these concerns.

Mr. Lindo, speaking as a commission man, declared that the export commission house has been greatly misunderstood for many years, and that the innocent had always been classed with the black sheep. It should be remembered that good commission houses have taught American manufacturers how to do foreign business. They even taught the Standard Oil Co. that it could not ship kerosene in barrels, but that it must ship in two gallon tins. There are some manufacturers who have been benefited by the commission house, have received fair treatment and

Its Service Means Economy
Install Zinc Spouting on Your Home
Made from Horse Head Zinc

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have stood by the commission house, and are still doing business with it exclusively; there are others who when they felt strong enough, threw the com-

mission house to one side and forgot all the favors they had received from it. Co-operation, he said, and better faith between the manufacturer and commission house, are important. The start must be right; the manufacturer must pick out his commission house carefully, study the men responsible for its policies, get from them an honest opinion as to whether or not the product is suited to the foreign field, and whether the business is best secured direct or through a commission house. Honest commission houses have said to manufacturers who had come to them: "If you have made a study of a certain foreign market that you want to go into, so that you know that your product is right for that market, and if you are large enough to establish a strong foreign department and pay the expenses of competent travelers, by all means go into the export field yourself, for that will be the only way you can attain the success you desire."

The majority of manufacturers, declared Mr. Lindo, are not prepared to go that far and the commission house is the only method open to them. The thing to do is to do business with the commission house which will be honest in its expressions and faithful in its promises.

Mr. Kilduff, Wickwire Spencer Steel Corp., asked if the reputable commission house would take commissions from both the buyer and the seller.

Chairman Golden, replying to Mr. Kilduff, declared that the commission house which serves in a foreign market as a buyer for a foreign merchant cannot conscientiously accept pay for his purchasing ability from the foreign

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buyer and at the same time accept a commission from the manufacturer here. If he receives a commission at this end it means that there has been virtually a lowering of price which the merchant abroad should have received but is not getting.

Mr. Mahoney declared that the real point in deciding as to sales through the commission house is this: The manufacturer should determine what sales influence the commission house has. If it has any influence to help him sell his goods, it is but fair that the manufacturer pay it a proper commission. No commission house can operate on a 2½ per cent. gross profit and this fact should be recognized by the manufacturer. The manufacturer should tie up with the commission house which has selling influence and then pay that house a proper amount for its service. In arranging with a commission house, you should require it to present the evidence that it has real selling influence, that it has branches abroad, that it has salesmen who go out and push the lines which they handle.

**National
 Foreign Trade Convention
 Philadelphia, May 9 to 12, 1922**

EXPORT EXECUTIVES will gather in Philadelphia on May 9 to attend the Ninth Annual Convention of the National Foreign Trade Council. Many important problems pertaining to foreign trade at the present time will be discussed. This annual meeting always marks a milestone in the progress of American export trade.

The National Association of Credit Men has been invited to conduct a group conference on foreign credits. The subjects to be discussed are:

1. Practical Safeguarding of Credit at Minimum Cost, *Address*, M. H. Hopkins, O. & W. Thum Co., Grand Rapids.
2. The Three C's in Foreign Credit Granting, *Address*, A. T. Rickards, H. K. Mulford Co., Philadelphia, Pa.
3. Guideposts in Foreign Credit Granting, *Address*, L. R. Browne, International Western Electric Co., New York.
4. An Hour's Discussion of Troubles, *Led by* J. H. Tregoe, National Association of Credit Men, New York.

Foreign credit men will find this is an opportunity to discuss the many important matters and problems confronting them daily, and we urge that all of those interested

Put a red circle around May 9 to 12 on your calendar!

The Export Managers Club

In his opening address at the evening session of the Export Managers Club, President F. K. Rhinehart gave voice to the motto of the club which is, "Helping each other in foreign trade." This means, he said, not merely helping each other to make more and quicker sales, and to make more profits, but the club is for men and women whose hearts are in their foreign trade work and who are willing to get together at frequent intervals and talk over their problems, willing to share their experiences with each other and broad enough to learn from each other.

It is a club that is trying to set higher standards for its members, trying to turn the job of the export manager into a real profession, striving to make the members more competent in order that (a) American foreign trade shall be more skillfully handled and (b) the buyer over-seas shall be assured of getting a square deal in every transaction.

Countries United by Foreign Trade

By George E. Roberts

National City Bank of New York

HERE is no reason to suppose that foreign trade conditions will ever be worse than they have been during the past year, which means that there is still room for improvement. We did not accomplish during the war in the expansion of foreign trade all that some sanguine predicted, and sensible people never supposed we would. We had much to learn. While some of the conditions were favorable, others were not. After all, the surest work of building up trade is done under normal and stable conditions and in the face of whatever competition there may be. This is a competitive world. It takes competition to develop our abilities in every line, to educate us and to prove a man's right to any kind of a place or position. We will have in foreign trade in the long run what we are entitled to on the basis of our resources, our skill in the industries and our abilities as salesmen and traders.

Our troubles in the last year have been less from competition than from the general disorganization of world trade and the demoralization of the exchanges that have resulted. The whole world ought to learn a lesson about natural and helpful trade relations from the experience of the last few years; but unfortunately there is no assurance that it will, or even that we of this country will do so.

Before the War a great international system of beneficial trade had been built up, gradually and naturally, we scarcely realized how. The industries of the world had become in large degree interdependent. Western Europe was densely populated and highly industrialized. It was the focus of the world's exchanges. It was constantly sending out great quantities of manufactured goods in exchange for raw materials and food-stuffs. The War demoralized the industries of Europe and broke down the system of exchanges. Even within Europe the old channels

of trade have been blockaded. The old Austro-Hungarian Empire, within which trade formerly was free and unrestricted, was divided into six independent states, each of which proceeded forthwith to erect high customs barriers against the others. Russia was formerly a great source of foodstuffs and raw materials for western Europe, for which payment was made in manufactures; that trade has disappeared. The relations between Europe and the rest of the world have been interrupted in the same manner. India is a great tea-producing country, and Russia was one of the chief markets for tea. The inability of Russia to take its usual quantity of tea has prostrated the tea industry of India, and the inability of India to sell her products has cut down her purchases of cotton goods in England, and finally the inability of England to sell cotton goods has reduced her purchases of raw cotton in the United States. And so in this and other ways the European situation reacts upon us.

We sometimes hear it said that the remedy for us is to reduce our relations with the outside world, to get rid of this state of inter-dependence and live within ourselves. It is said that our foreign trade amounts to no more than 10 or 15 per cent. of our total trade, and that our resources are such that we can get along without it. It is true that our territory is so extensive and our resources so varied that we are in better position to live within ourselves than any other country. If our industries had been developed with that in view we might have been able to get along within ourselves, not completely, but more fully than at present. But our industries have been developed as a part of the industrial organization of the world. Although our exports are but a small part of our aggregate production they represent great industries in which many millions of our people are engaged; and the price obtained for the portion that is exported affects the

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price for the whole production. Cotton mills of the United States have capacity to work up only about one-half of our cotton crop; the remainder must be exported. The lands that are growing cotton cannot be shifted to other crops without over-production of those crops, for we are exporters of all the principal agricultural products. In short, it is not practicable to shift the population into the new industries that would be necessary for the United States to live within itself. Furthermore, it is safe to say that no such policy would ever satisfy the ambitions of the American people or would be long maintained even if adopted.

One of the most serious difficulties to be overcome is that presented by the loss of a common standard of value—the common gold standard. That is the cause of the exchange fluctuations. Before the War the currencies in which prices were quoted in the different countries were linked together by the gold standard. The dollar of the United States represented 23.22 grains of gold; the pound sterling represented 113

U. S. Commerce Reports

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(Member, Audit Bureau of Circulations)

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grains of gold; and so the franc of France, the guilder of Holland, the Crown of Austria, the lire of Italy, the ruble of Russia and the yen of Japan, each represented a certain number of grains of gold; and by reason of their fixed relationship to a common standard they all had fixed relations to each other. The gold coins of any of these countries could be shipped to any other country, melted down, and converted into coins of that country without loss. That fact gave stability to the exchanges, so long as the currencies were redeemed in gold. But since the War two conditions have forced the suspension of gold redemption: one has been the great inflation of the paper currencies and the other has been the one-sided state of trade.

The common gold standard was not only dependent upon a state of balanced trade, but it tended to maintain the equilibrium. If trade ran heavily one way and gold flowed from the debtor to the creditor country in settlement, the effect was to deplete the gold reserves, to advance interest rates, reduce bank loans, tighten the money market, and check the importation of foreign goods until the trade came back into balance again. But during the War, trade was not governed by ordinary rules; and the countries generally put an embargo upon the exportation of gold, which deprived traders of the usual means of settling foreign balances, and resulted in the wide fluctuations in exchange. The traders were reduced to the necessity of going into the market and bidding for exchange on countries where they wished to make payments.

Exchange between this country and Canada is back now virtually to par; but for several years there has been a fluctuating premium on the United States dollar, ranging up to 15 and even 18 per cent. The balance of trade between the two countries was running in favor of the United States by about \$300,000,000 per year.

To the extent that the payments running to each country were in balance they offset each other, but to the extent that payments from Canada to the United States were in excess of payments in the opposite direction, it was necessary for the Canadians to go into the market and bid a premium for ex-

change. That premium amounted to an open offer, an inducement, for some one to create credits in the United States, which could be done by borrowing or by selling something here,—securities, products or anything that could be transferred to the United States and disposed of here. It put a premium upon sales to the United States and a penalty upon purchases in the United States, so that the influence in both ways tended to bring the trade back into balance.

It is surprising how many people were mystified by that premium of the United States dollar over the Canadian Dollar. The Canadians were disposed to resent it as a reflection upon Canadian credit and Canadian money. A Canadian public official of high position was quoted as saying that he would not buy five cents worth of goods from any country which discredited the Canadian dollar. Now that was unreasonable, because the people of this country had nothing to do with the depreciation of the Canadian dollar. The Canadians themselves, bidding among themselves for means of payment in the United States, created the premium.

The Canadian gold dollar is the exact counterpart of the United States gold dollar, containing precisely the same amount of gold. As long as the Canadian paper currency could be converted into Canadian gold coins and those coins shipped to the United States, there was no premium for exchange on New York, but the total gold reserves of Canada were only about \$200,000,000, and with a trade balance of \$300,000,000 the Canadian government was afraid that the entire reserves might be drained away: hence the embargo.

The paper currency of Canada of course could not be used for payments in the United States. It never was intended to be used outside of Canada. It is not a legal tender in this country: it would not be accepted by the banks in this country, for they could not pay it out; it could not be used to buy goods or to pay labor; it could not be used to pay taxes, and that is one of the principle uses of money nowadays! Nothing could be done with it here.

No question of credit was involved in the Canadian exchange situation. It was a trade situation.

Men have asked me why it was necessary to pay high rates on Buenos Aires when the National City Bank had a branch in that city, or high rates upon remittances from Buenos Aires to New York when exchange this way was at a premium. I recall one man who was very insistent when rates were high on collections in Buenos Aires. He said that since we had a branch there we had no reason for charging the market rates. "Your own branch can draw on you," he declared. "You don't have to follow the market." What he did not see was that if the trade was running continuously one way, and if we were continually paying out money in New York against receipts at our branch in Buenos Aires, we would eventually have more funds in Buenos Aires than we had in New York. Buenos Aires would become the main office and New York the branch. If the balance of payments between New York and Buenos Aires runs continually one way, it becomes necessary for us to go into the market and buy exchange in order to maintain proper relations between the two offices.

Every situation like this brings a lot

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of people to the front with remedies. There are proposals for an international currency, an international gold reserve, an international clearing house, an international bank, and for a government bank for foreign trade. All these proposals overlook the fundamental fact that trade in the long run is essentially barter and must settle itself. A country, no more than an individual, cannot forever buy more than it sells. Gold is a convenient medium for settling balances which run one way for a few months and then the other way for a few months; but international trade is on such a great scale that the amount of gold available for payments is small in comparison. We have seen in the case of Canada that the entire gold reserve would not cover the trade balance of one year. No country will allow its banking reserves to be disturbed unduly. The fact is that in the nature of things trade must be kept on the basis of barter; it must be brought into balance; and exchange rates are the most effective means of bringing it into balance.

Now, all this shows the futility of trying to build up a great one-sided trade. We have not known what to do with it when we had it. A state of trade with balances running continually one way is abnormal and cannot possibly be permanent, because the debtor country cannot find the means of payment. Its efforts to procure the means of payment are certain to send exchange to a premium, and the premium will rise until it puts a check upon purchases in the creditor country and so brings the trade back into balance. Exchange rates act as an automatic governor.

We are accustomed to say that the exchanges are in our favor when the dollar rates above other currencies; and they are in our favor for buying purposes, but not for selling purposes. They help us to make purchases in other countries, but they do not help us to sell in other countries. On the contrary, they are a handicap upon sales.

The fact that international payments must be made for the most part in goods is very well illustrated by the difficulties which arise in the case of the German Reparation payments. Most of us would like to see Germany pay, as

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far as is humanly possible, for the damages done by her armies and on the sea during the War; but many people do not understand the difficulty about paying great sums in another country and in another money. The Reparation payments must be made in gold or in goods and Germany has but little gold. The payments cannot be made in German paper money for that is worthless outside of Germany and not worth much in Germany. If you were to visit Germany and see the many signs of wealth in the country—the fine cities, the great industries, the railroads, the forests and mines and farms, you might conclude that Germany was able to pay large sums; but none of these kinds of property can be transported out of Germany. It has been suggested that the German railroads be turned over to the Allies to apply on the Reparation debt. Suppose that were done. The railroads could not be sent out of Germany; they would have to be operated in the service of the German people. They have been a liability instead of an asset to the German Government ever since the War. Moreover, even in this country the owners of railroads have some difficulty in extracting any profits from them; and I fancy it might be even more difficult in the case of the German roads, operated by the Allies for the purpose of making the Reparation payments. But suppose it was done. The profits would be in the Treasury of the railroads in the form of German currency, and nothing could be done with that money but buy German goods, which might be sold outside and the proceeds applied upon the Reparation debt. We have almost the same problem in the indebtedness running from the foreign governments to the United States Government. Some of our people are eager to have the payments begin; it has been proposed that the payments as received be applied to the payment of adjusted compensation to our ex-soldiers of the War. The people who urge this policy are apparently thinking that the payments will be made in money; but the payments cannot be made in money. The debtor countries are all collecting their taxes in depreciated paper currency; and even if they were able to collect from their tax-payers the sums

nominally sufficient to make the payments to the United States they could not make them in their paper currencies, because we have no use for those currencies. Those countries must export goods, which will create credits against which they must draw, and the very congressmen who have been urging that pressure be exerted upon the foreign governments to hasten payments have been engaged at the same time in the preparation of a new customs tariff designed to reduce the offerings of foreign goods within this country.

The foreign countries are having all they can do to find the foreign exchange, at high rates, with which to finance their current purchases of our products. If, without any increase of exports to us, they attempt to acquire exchange to pay even the interest on this indebtedness, they will drive exchange rates still higher, to the disadvantage of our export trade.

This indebtedness undoubtedly creates a problem, because it is a great sum and not the result of normal trade relations, but was piled up under abnormal conditions. A good many people have looked over the situation and come deliberately to the conclusion that perhaps, after all, we had best forgive our debtors and fall back on whatever benefits are implied in the Lord's Prayer.

Now, strangely enough, we do not give much attention to this fact in planning for export business. Everybody is in favor of enlarging our exports, but nobody gives much attention to how we shall be paid for them. It is not strange that this is so under present conditions. In the old days of our foreign trade—the days of Stephen Girard and when the merchants of Boston carried our flag to all the seas, the merchant trader owned his own ships, and loaded them with American products which he literally traded from port to port around the world, in exchange for foreign products, which he brought home to sell in this market. It was clear in this case that foreign goods paid for our exports, but we have got past that method of trade. The development of our banking system has relieved the exporter of the details of barter. He pushes the sale of his goods, and when a sale is made draws a draft on the foreign purchaser which he turns over to his banker and receives credit for it in his account. The banker does the rest, and the exporter scarcely realizes that the fund from which his draft is paid is created by the sale of foreign goods in this market.

We are talking about a ship subsidy, to be paid out of the public treasury for the support of shipping lines, in order to carry our products direct in our own ships to all markets; but at the same time Congress is considering a new tariff which is calculated as carefully as may be to prevent these ships from getting return cargoes.

Now I like the idea of building up foreign trade, and the idea of having our own ships rather appeals to me, too; but I cannot help wondering if we insist upon doing everything for ourselves and so much for other people, how are we going to get paid for what we sell. As good merchants we are bound to give some attention to the means at the command of our customers for making payments. It is not enough that other countries shall want our pro-

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ducts; they must be able to pay for them. The problem of payment is just as much ours as theirs, because they cannot pay without our help. The purchasing power of every people is in their own powers of production. They must be able to use those powers and to pay in the products of their own labor or they cannot buy.

The island of Cuba has been commercially virtually a part of the United States. We have had a reciprocity treaty which has caused us to buy from them virtually all the sugar that we receive from any foreign source, and caused them to buy nearly everything they import from us. The treaty simply confirms the natural trade relations, advantageous to both parties. The sun and soil make sugar in Cuba more cheaply, with less labor, than it can be produced in the United States; and we pay for all the sugar we buy with products which can be produced more economically in this country than in Cuba. We bought about \$400,000,000 worth of Cuban products, mainly sugar, last year, and we sold Cuba in return \$30,000,000 worth of cotton goods, \$15,000,000 worth of shoes, \$20,000,000 worth of railroad equipment, all kinds of manufactures and quantities of flour, meats and other agricultural products, altogether amounting to approximately our purchases from Cuba.

Now that would seem to be a mutually advantageous arrangement but the Congress is considering the advisability of restricting the imports of sugar in the interest of the beet sugar industry in the United States. A distinguished senator is quoted as saying that as between the sugar producers of Cuba and the sugar producers of the United States, he is for the producers of the United States. But is that all there is of the question? First, it is conceded that sugar can be produced in Cuba more cheaply than in this country, and it would seem that the consumer might be entitled to some consideration. Second, the industries that supply the exports to Cuba are interested. It is a question of the natural and economical development of industry. If we can obtain sugar more economically by the production of steel and shoes and clothing and flour and

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meat than by growing it in this country, it is profitable trade, just as much so as though Cuba were politically a part of this country.

The same reasoning applies to wool and hides and other raw materials of our industries and to food stuffs. They are the products of the countries near us with which we naturally have trade relations. If we are going to trade with them we must recognize the full meaning of the word; we must take from them what they have to sell, for they have no other means of payment.

Moreover, it is an advantageous trade. It is an exchange of goods representing highly developed industry for goods representing comparatively primitive industry. The exchange is advantageous to both, but we cannot afford to keep our people employed in comparatively primitive industries if they can have higher pay in the more advanced industries.

This question of the tariff is mainly a question of which industries are most worthy of being favored. The largest possibilities of development and of profit are in the industries which are able to make their own way in the markets of the world, and it does not look like a good policy to handicap them for the support of industries which confessedly are unable to stand alone in the home market.

We are much inclined to magnify the danger of competition from other countries on equal terms. We hear a good deal about the ability of this or that country to overrun and dominate the markets of the world. We used to hear that England could do it, but of late years Germany has been the bugaboo. It is possible of course that in given lines of industry certain countries may be superior to others; that situation is the very basis of international trade. There is not the least danger, however, that of its own choice any country will do more than its share of the work of the world. No people can work any more than all the time, and none of them want to give their goods away. They all want to get something for them. The great exporting nations always have been great importing nations. They have to be. They cannot

sell their own products without taking the products of other countries. We have seen how trade balances in our favor have caused exchange rates to rise against us, and put a check upon our exports; and they will do the same for any country under like conditions.

The great lesson of the time is that of the mutual interests which, rightly understood, tend to unite all countries in reciprocal and helpful relations. Unfortunately, there is only a faint comprehension of the truth; and because this is so we have a world of rivalries and antagonisms which from time to time break out in war. The leading business interests of every country have a responsibility in this respect. The spirit of war is developed in mistaken ideas about national interest. If nations believe that their fundamental interests are in conflict, that there is irreconcilable rivalry and a struggle for existence, if people believe that the future of their country and their children is at stake, of course they will fight; nothing else can be expected.

But there is no such conflicting interest. There are trade rivalries—rivalries between traders of different countries, as there are between traders of the same country. Within proper limits they are stimulating and beneficial. But it is a mistake to emphasize them as though the success of one nation depended upon driving another out of the field. That idea is based upon the assumption that there is only a limited amount of business to be done and never enough for all—an error that has been responsible for an infinite amount of mischief.

It is one of the grievances brought against the labor organizations that they sometimes limit the output, acting upon the theory that there is only a limited amount of work to be done, and that it is good policy to make it go as far and pay as much in wages as possible.

It is a mistaken idea and every such conception of industry and business is fundamentally wrong. There is no limit to the amount of work to be done in the world, or of the amount of business to be had, because there is no limit to the amount of wealth that may be created from the resources of nature, and no limit to the wants of the population.

We hear a good deal about over-production, but there can be no such thing as general over-production of all the goods of common consumption. There is such a thing as unbalanced production, and we see it now; but there is not a family in a four-room tenement in this city that would not like to have six rooms, or one with six rooms that would not like eight—with everything else to correspond.

The problem of society is to organize and integrate the productive powers of all countries so as to secure the greatest possible supply of all the comforts of life for the population. That is the great appeal to the constructive and enlightened forces of the world.

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President Rhines, after thanking Mr. Roberts for his inspiring and instructive address, in introducing Oren O. Gallup, the next speaker, declared that the greatest difference between the development and handling of export trade and the handling of domestic business is, that the personal contact with the man on the other side of the transaction, which we are likely to enjoy in domestic trade, is not likely to characterize export business; and this is one of the greatest handicaps in the development of foreign trade. If there is any point of contact in foreign trade, he said, it is through the export manager, by whom, and through whom, the buyer overseas necessarily forms his opinion of the American house, its policies, its importance and its standing. This export manager, said the speaker, must be not only a business man, a salesman, an advertising and frequently a credit man, but he must also be a diplomat and of course a correspondent of high intelligence, able to project his personality through his letters overseas, and be fully convinced that *real success in trade is founded on good-will*. He must be a fit representative of his house if he goes to foreign parts, a real man, a human being, who realizes that there is more to business than dollars and cents, he must be possessed of a sense of humor, a proper sense of proportions and values, must recognize the romance of export and know that friendship is the same no matter the language of the alliance.

From Dr. Julius Klein

President Rhines presented the regrets of Dr. Julius Klein of the Bureau of Foreign and Domestic Commerce, Washington, at his inability to be present at the conference. He read Dr.

(Continued on page 21)

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 The T. L. Smith Co.
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FROM DR. JULIUS KLIEN

(Continued from page 20)

Klein's message to the members as follows:

"The Bureau of Foreign and Domestic Commerce appreciates heartily the efforts of your club to convince American manufacturers of the desirability of taking prompt and energetic measures to strengthen their export efforts. Our present commercial situation urgently demands such a policy in view of the large surpluses in every leading industry."

President Rhines, before introducing the next speaker, pointed out that the main thought of the day had been that the export managers of the country had the responsibility of emphasizing on every occasion the necessity of export trade and the possibility of export trade right now. To the cry, "Our export trade won't come back," the export manager's answer must be that "It won't come back," but we will go out and bring it back." That is our faith. This is the year. We have already rounded the corner, or at least are now rounding it in the export trade.

Rounding the Corner in Our Export Trade

By Leland R. Robinson

Assistant Director U. S. Bureau of Foreign and Domestic Commerce

THERE are many people who have the backward-looking view because they themselves have suffered. But there are also many who are chronic pessimists, who insist upon looking backward and who view the situation not with the potentialities of the future in mind but with discouragements and losses of the past looming large.

If we fail to look with true and sincere faith on the world today, whether it be faith in individual man or faith in the right intent of nations, there is nothing for any of us.

There are pessimists who look at Europe today and call attention to the large standing armies there which seem to menace the peace of the future,—800,000 men in the army of France, 350,000 in Italy, 300,000 in Poland and 120,000 in Belgium; they call our attention to some of the deficits that arise out of this anomalous military situation; and they say, "What can we do with a situation like that—is there no will to pay—is there no intention of meeting just obligations?"

The result is that many are urging that we wall ourselves in. They don't put it in those words, they don't mean that exactly, but that is the substance of their philosophy, that we wall ourselves within our own economic garden, that we have America hermetically seal herself from the rest of the world. It would be like the beautiful Garden of Eden that every Arab points proudly to, now only glistening desert sands,—the place where the Garden of Eden used to be.

There is another opposite point of view, that of the man whose ideas are in front of his head,—the forward-looking man. He realizes the place that the United States plays in the world and must play in the years to come. He

thinks of our country in the old terms of the pioneer communities of the West. He thinks of the farmer who came out of the East to join the little group of farmers who had preceded him and who lent seeds to the latest comer. They were good fellows like the export managers; they loaned a few harrows, cultivators and a little felled lumber to put up the new shack. Thus the newcomer got a start, planted his seed and cultivated. In a year or two he was ready to begin to pay interest on the investment, and paid it not in money but in new seed or in some form of agricultural products. In eight or ten years he could give back to his neighbors all they had lent and was ready to assume his place in the community as a generous lender to the new settlers.

Now, up to the time of the great war, we were the newcomers in international trade. We had to borrow. But now we have reached a position where we are not only able to pay every cent of interest and principal but able to turn around and help the other fellow.

There are some who believe that the United States has reached the limit of its generosity. Undoubtedly we should scrutinize with the greatest care all advances made to other people, but it will be many years before the United States can sit back and be in the position England was in before the war, with a unfavorable balance of trade, receiving a larger amount in value of commodities than is exported.

The U. S. Treasury Department has recently given out figures on the status of the Allied government indebtedness to the United States. These figures, with interest, make the great total of \$11,330,000,000, which must be the subject of negotiation by our new Commission on Foreign Debts. We are not go-

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ing to receive immediately the goods that represent the interest and amortization of that vast loan, but we are going to receive some pay in goods; and we must be ready not only to give more money for reproductive purposes in Europe, but if we can only control the folly of war expenditure, business ought to develop in the unexploited regions of the world,—those that have not reached that productive capacity.

All this means that America must receive an increasing quantity of imports if the vast foreign indebtedness to us is to be reduced and must continue for years to export capital, not in the narrow way in which capital has been exported by other countries who require a loan agreement containing the proviso that their manufactured products must be exported; but we must send out our capital with the realization that our country will benefit for many years in the growing industrialization and in the export both of raw and finished products.

Looking at the figures of the last few years we see that we have been trading with the world, and that even now that trade is of immense proportions. Based upon the conversion of figures of exports into pound units, that is to say, volume estimate, we find these exports reached about 80 per cent. of our volume in 1920, and that our imports apparently fell off but 10 per cent.

It is the man who looks out and realizes these facts who knows to what a great extent our commerce and prosperity are dependent upon the margin exported, who will profit. Someone should make a study of the relative value of our exports to production, so that we may know what proportion of the productive capacity of the United States was exported last year as compared with normal conditions. I believe that most of the estimates made of the relative importance of American exports as compared with production are under-estimated. Consider, for instance, breadstuffs. We produce so much wheat, flour and bread, and the sum total of the volume represented in the bread, our wheat and flour, is the volume of breadstuff production in that one line for the year. Then we check the figures for the exported wheat and flour and bread and of the other com-

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modities into which the grain goes and say that the exports are a certain proportion or percentage of the production. This is misleading because when you count exports you are taking but one count; when you add together your production of wheat and flour you are counting twice the wheat that goes into the flour. When you add to that the volume of bread production you are counting twice the flour that goes into the bread. Thus, by the very fact of the duplication in the figures of national production, you are under-estimating the ratio of volume of export trade total trade volume. Even though the margin is small,—from 5 to 10 per cent. in many of our industries,—it vitally affects the price.

But there are many among us who are helping to round the corner in export trade, who are trying to get away from the sporadic unsatisfactory contacts that some people had overseas before the War, to get away from the great volume of orders we got whether we wanted them or not during the War and to get on the broad highway where by organization of the right kind of export concerns we shall place ourselves to the forefront in the exports of the world.

We have been helped by export combinations, better foreign financial facilities, better credit facilities, debenture bonds, by the application of the equivalent of the English "investment trust," building for foreign markets. These organizations have learned the importance of quality and good goods, of the right kind of packing, of better American transportation and better American marine insurance.

I do not know whether there is any danger of losing trade through European competition. Unfortunately, perhaps, the Bureau of Foreign and Domestic Commerce was responsible in part for spreading abroad the impression that there is a great menace from German competition. I do not now think there is such menace. The Bureau of Foreign and Domestic Commerce is determined, so far as its abilities permit, to keep ever before wide-awake business men export opportunities which they otherwise might miss. We are re-organizing the Specialities Division, and are going to organize a

Financial and Investment Division which will facilitate the financing of foreign trade and will, furthermore, be of assistance to the Debt Refunding Commission.

We are going to organize a Chemical Division, to increase the staff of the Commodity Division; we are going to establish new offices in Latin America, set up an office in Athens, that we may keep in touch with the trade of the Levant; we are going to be better represented in China, in India, Singapore and possibly in Malay and Stockholm. We are going to encourage still more the education of our young men in foreign trade, and it is interesting to note that in the interior parts of the country, as well as on the seaboard, our schools and colleges are preparing many a young man for foreign trade.

The industrialization and development of the world is continuing. There may be either war or peace—it depends upon the way the nations of the world go into the less developed countries. If we go into them, if we trade with them, and because of that trade seek to establish protectorates and deny the open door, it will mean war. If this trade carries with it the same fear, cunning and rivalry that characterized trade nations before the war, there cannot be peace; but, if in the next few years or decades there be a wholesome development of governments and strong and stable political systems in

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the undeveloped countries, there will be peace, and especially if the nations of the world learn to play the game in the spirit of the agreements worked out in Washington last winter, when the most important step of mankind toward a new and better era was taken.

The Export Managers

By Oren O. Gallup
Simonds Manufacturing Co.

THE Export Managers have a message to American industry. It is their privilege to impress upon business firms and the public in general the absolute need for a permanent and increased foreign trade. Especially is this true just now when we have seen firm after firm withdrawing from export activity. Many of these should clearly be marketing their products throughout the world. Yet they are dropping out and leaving the field to their competitors.

Such a state of affairs is serious. Its effect upon the economic situation of our nation is obvious. It is a decided factor in the disturbed conditions now existing. With the realization of the absolute necessity for export trade; with the knowledge that it can be done and it is being done; we feel that there is no need of conducting propaganda provided we can only obtain serious consideration of the facts as they exist.

It is not necessary here to dwell upon the national need for export trade. We all know that in practically all lines of manufactured goods there is a large over-production, consequently we must either broaden our markets or produce less. We grant that the volume of export trade is small as compared with the total business of the Nation. The proportion has been estimated as between 10 and 15 per cent. How many times that 10 or 15 per cent. enters into the other 85 or 90 per cent. is hard to figure but it is a factor. Such items as raw materials, equipment, repairs and maintenance as well as labor are all domestic transactions and no credit is

given for them to the export trade.

Careful students of economic conditions concede the influence of these factors to such an extent that they allege that this 10 per cent. of foreign trade, in many instances, represents the difference between loss and profit, even between depression and prosperity. Conceding this it is hard to understand how a banker of some importance in the banking field could make the statement, which we all saw published a few months ago, to the effect that as foreign trade was such a small item, (I believe he said 12 per cent. of our total trade) we should do well to forget it and look after the 88 per cent. right at home. I cannot believe that the bankers as a class have this attitude, yet I heard a number of business men remark that they believed that this was correct, that they were tired of hearing so much about export trade anyway. These men remember that statement and refer to it frequently. In fact, there is a definite lack of comprehension, throughout the country, of the essential need of a permanent foreign trade.

So here we are at the start, with the public out of sympathy with our work, efforts and accomplishments, considered as having a queer mental quirk by our friend the advertising solicitor, and in many instances considered as a necessary evil by our own companies. Yet, in spite of this atmosphere of depression and even of antagonism, the export manager is carrying on. Export business is being done right now, some newspaper reports and magazine articles to the contrary notwithstanding. It must therefore be conceded that the

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successful export manager is at least a man of courage.

I have made the statement that export business is being done now. That is a fact. It is clearly shown by the figures issued by the U. S. Bureau of Foreign and Domestic Commerce. The volume, both in dollars and in prices, is large. Of course, as compared with the war years and the period of inflation it looks small. That was to be expected. The war trade was abnormal; it could not continue. That period should be forgotten when comparing our figures. The only fair basis on which to make comparisons is to go back before the war, back to 1913.

If we go back to 1913, we find that we are doing remarkably well, that the part of our export trade which we have retained on a permanent basis, is even greater in many lines than before the War. Why then, should there be any feeling of discouragement, any desire to withdraw? Considering how we stand now and the prospects for the future, this is the time to be full of optimism—to be working the ground—to be planting the seeds. If you do not, someone else will plant and reap the harvest. Remember the foreign trade convention slogan, "This is the year."

But who is getting this business? Here we find a condition to think about. Firms which are direct competitors, whose goods are similar in quality and in price, are wide apart in the results obtained. Often where one is doing an export business of considerable volume, in some cases more than in 1913, the competitor is out of the game. This condition exists in many instances, in various lines of trade. It is obvious that there is some factor which has a great influence in obtaining and retaining foreign trade.

The principle factors in winning a permanent trade abroad are, speaking broadly, covered by three Ps,—Products, Price and Policy. The products themselves are of course a big influence. This applies to the class of goods as well as to the quality and the adaptability of foreign markets. It is a fact that there are firms who have a large foreign trade through no particular effort or solicitation. They are producing the goods which give the best

satisfaction for the money invested. The trade has come to them. In most cases, however, it is not so easy, but we cannot dispute the fact that the goods themselves are largely responsible for the success of our export trade activities. In the conditions before us for analysis, however, the goods are of a similar quality. We must eliminate this factor as being the cause we are seeking.

How about price? Price must be considered, but only on the proper basis. I have no sympathy with anyone who says that high priced articles cannot be sold abroad, that all foreign business is a low priced trade. This is wrong,—the excuse for failure is usually due to other causes. There are companies represented in the Export Managers Club of New York that specialize in high quality and consequently high price goods. They are doing an export business of which they may justly be proud. There are some here who actually get a higher price abroad than in this country. My own company has sold abroad goods higher in price than any competing line in the world, sold them in the countries in which the principal low price competitors were located. If your goods are worth the price as compared with others in the market, they can be sold. The point to consider is whether your prices are competitive when quality is fairly considered. If you cannot market your goods abroad at the same price as is being asked for similar goods of equal quality, then you will most certainly discover that price is a decided factor. We cannot consider price, however, as being the cause for the condition we have in mind.

If it is not the first two, then it must be the third—Policy. What a field that word covers! Policy is the predominating factor in the conduct of export business. It is the principal cause for success, the explanation of 90 per cent. of the failures. It is this phase of exporting which demonstrates whether there is a real export manager on the job or one of the tribe who came into existence during the boom period and who are now fast disappearing from the field in spite of the so-called "new thought" in exporting. Policy is what makes or breaks our export business, and policy is so much a part of the individual who originates and directs the policy that we cannot consider this factor without linking it up with the export manager.

I make the unqualified statement that the success of any export sales effort is directly due to the export manager in charge. I do not qualify this, because I believe that a real export manager will not tie himself to a proposition in which the other factors, Products and Price, are not in line or capable of being satisfactorily regulated.

In the conduct of domestic business the question of personality on the part of the sales manager is always considered, and this in a country where business is done less on friendship and personality than in any country of the world. If this trait has importance in domestic work, how much more it should be considered in export trade! The export manager is the point of contact between American business and the customers in foreign lands. Where can you find a line of work where personality is of greater importance? You will find personality developed to a

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high degree in export managers. You will find the type of man that it is a pleasure to meet and know. Talk with him, and you will find that he has a comprehension of business, politics and economics which is not the typical provincial viewpoint of the American business man. It is more than that, it is more than the national viewpoint; it is international.

There is another important influence of personality on the part of the export manager in many American firms. That is his ability to keep his own company sold on the idea that export trade is not only desirable but a business necessity. Too many times this has been neglected. In some cases, even an antagonistic policy is adopted, by those in control, which should be avoided. Many capable export managers have failed through lack of backing from their own firms. Often, but by no means always, they are to a certain extent to blame themselves.

The fact that international trade develops a broad viewpoint cannot be disputed. This is recognized more and more by progressive business houses. There is a growing tendency to include the export manager in general conferences and to respect his opinion as regards also domestic problems and policies.

We insist that the prosperity of this country depends upon foreign trade. We, as export managers, are able to get it, conduct it and retain it. We appeal to the business firms of America not to neglect their foreign trade, not to lose courage, not to withdraw. We urge them to be active, not on the ground that it is patriotic, or because it is an interesting departure, but because it is an economic necessity. Remember, we must broaden our markets or produce less.

This Is the Year!

In closing, the chairman repeated the message of the day: "This is the year!" and it was with that message ringing in the ears of the members of the Export Managers Club that the meeting was adjourned.

Another Good Man Set Right

A Comedy-Drama of Foreign Credits

By Benjamin B. Tregoe

ACT I, SCENE I.

Lounging Room of the Commercial Club, New York.

Time: October, 1921, 12:30 P. M.

George Jones discovered sunk in arm-chair, reading Journal of Commerce, four deep wrinkles across forehead. Enter Fred Smith, reads names of posted members on the Bulletin Board, and then saunters over to where Jones is sitting.

Smith. Well, Jones, old boy, you look like you've cracked your favorite brassie or something. How the devil are you?

Jones. Rotten, thanks. Feel about as cheerful as an undertaker at a Health meeting.

S. Brace up, man, what's the matter? Had the flu?

J. Flu? No, our foreign business has had it though; sort of gone up the flue, so to speak.

S. You don't say! Did you drop very much?

J. Drop much! Oh man, don't make me laugh. We have chipped off just about \$50,000 worth of rusty accounts, and still have as much as that frozen up tighter than Greenland in December. Dropped much—don't be foolish!

S. Well, that's too bad. I hate to plunge you deeper into the depths by giving our experience, but we have come clean in practically all of our shipments. Lost something, of course, but nothing to get up in the middle of the night to write home about. What kind of dope did you check your credits on?

J. Oh, you know, I had agency reports, sometimes, some stuff from banks—well, to tell you the truth, money came in so easy that sometimes I shot the stuff out on a hunch more than anything else. You know yourself how hard it is to get any live-wire credit information.

S. Oh, sure, I know that it is ten times harder to get foreign credit information than it is to get domestic, but—by the way, have you heard of the Foreign Credit Interchange Bureau?

J. Now that you speak of it, seems to me that I used to get an inquiry from them once in a while. As a matter of fact, I believe one of their representatives dropped in to see me, but—oh, well, at that time you know, I thought I had the world by the tail, and I didn't feel that I needed anyone else to help me twist it. No, to tell you the truth, I never bothered looking into the outfit. Why do you ask?

S. When you spoke of credit information, it immediately brought to mind the Foreign Credit Interchange Bureau. You know, it is run by the National Association of Credit Men, or rather, fostered by them, a Supervisory Committee of its own subscribers really does the running. You've heard of the N. A. C. M. of course?

J. Oh, yes, I have read their stuff in the papers, and attended several meetings. Mighty interesting, too. Our house is a member, but the domestic man does most of the active co-operat-

DRAMATIS PERSONAE

GEORGE JONES, Foreign Credit Manager of Enyold Corporation.

FRED SMITH, Foreign Credit Manager of Curage & Forsite, Inc.

HENRY BROWN, President of Enyold Corporation.

ROBERT JOHNSTON, Subscription Mgr., Foreign Credit Bureau, N. A. C. M.
Club Attendants, Office Assistants, Stenographers, etc.

S. Well, we joined the Bureau when it was first started, in the Fall of 1919, I think it was; and I will be frank—we did not expect to get our money's worth, but we believed they had the right idea and we wanted to help the thing along. But, by George, we started to get reports right away that gave us some A-1 dope on foreign customers—recent stuff, too,—and now, you couldn't pay us to get along without the Bureau. I will venture to say that the Bureau has been instrumental in keeping us from getting into the same jam that you are in.

J. Say, hold on a minute—what kind of a bug have you turned out to be anyhow? Don't try to tell me that you have not had any losses and that this Bureau helped you save the ship.

S. Well, as I said before, we have had a few losses, but they have been very few and far between. I won't say the Bureau turned the trick alone—but with common sense and judgment, and the facilities the Bureau had to offer, we were able to discriminate and consequently could at least keep our heads above water.

J. You don't have to rub it in with this common sense and judgment stuff, Smith.

S. Not at all. I am not saying that. Why do you ask? Do you have very much to do with them?

you haven't common sense and judgment, because I have known you a long time, long enough to know that you have. But without the right tools to work with, you certainly cannot turn out the right kind of a job.

J. I suppose you're right. I am in such a mental state, I would listen to anything. Tell me something about this Bureau outfit.

S. I can give you only the barest details now, but I am sufficiently interested in seeing you get in on a good thing which will enable you to pass on foreign credits even in these times that I will call up the office of the Bureau this afternoon and suggest that Johnston, the Subscription Manager, drop in and see you tomorrow with the forms and explain the thing in detail.

J. Well, that's kind of you, Smith; but to be very frank, the big boss has handed down the order that all foreign business be handled on a strictly "Cash in New York" basis. He can't see any credit extensions after the dose that we have had. I would like very much to hear all about the Bureau, but I can't see how it will be possible for us to join up right now.

S. If you will pardon me for saying so, I think that your "big boss" has established an awfully short-sighted policy. We find from our experience that there are merchants all over the world who are deserving of credit, and who pay their bills even in view of present conditions. Why do the double injury of cutting these people off from an extension of credit under an indiscriminate policy like that? In the first place, you are losing good business and in the second place you are making these people your enemies.

J. No doubt there is a great deal of truth in what you say, but I'm no partner in the business and what the big boss says, goes. Another thing he called me in the office the other day and said we were carrying five services in foreign credits, and this should be

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Juan Blanca y Cia	Cuba	Mantanzas	

Form 2. CODE NUMBER CARD

Smith: Boss has foreign "Cash" see any that we much to I can't r us to say has e-sighted experience over the outfit, and view of the double off from in indicating the first ness and making deal of I'm no hat the thing her day services could be

cut down to three or two if possible. Anything I consent to must be O. K.'d by the boss himself. We are working on a "hand to mouth" basis. I can't see any possible chance of getting this thing put through.

S. Well, I appreciate all that. I think every company is economizing—I know our's is, but we haven't economized to the point of extravagance! You certainly wouldn't drop your fire insurance just because the premium cost something, would you, and besides, the subscription fee of the Bureau is nominal, only \$100 a year.

J. Why, man, \$100 now looks to us like a million. To get a \$100 requisition put through requires about eighteen signatures.

S. That all may be, but look here: You are the Foreign Credit Manager of your outfit, and you want to hold your job. Now, it stands to reason that if all shipments are going to be made on a guaranteed basis, there won't be very much use for a man in your capacity. That's one point. The other is that it

is your duty to look out for the interests of your concern. If you are convinced, as I am, that foreign business is obtainable now, and that companies should give their credit men facilities, even added facilities, for enabling discrimination and judgment then why don't you let me give you the dope on the Bureau and take it up with the President?

J. Smith, you don't know our old man. He's all right, but he's a hard-boiled egg, and I would probably get thrown out of the office. To be frank with you, I am afraid to take it up.

S. Well, I don't want to appear to be dictating a policy, but I like you and I am so enthusiastic over this other proposition—and the prospects of foreign trade in general—that I want to say that if you are any sort of man at all, and believe that this is a good thing, you will take it up with your president himself. The head of a concern such as yours must be open to suggestions and reason, or he wouldn't be where he is; and I think there is only

one thing for you to do, and that is the one that I have outlined.

J. Well, you have a very convincing way about you, Smith, old boy, and I appreciate your kindness, but I don't want to jump at conclusions. You may be right about having their representative come up to see me and if you don't mind calling him up, he can probably drop in some time tomorrow. By that time I may have gotten up sufficient courage to go in and tackle the powers that be.

S. Well, in the first place, Jones, this Bureau is non-profit making. I have looked over the budget—which is the privilege of every subscriber—as well as the expenses, and the non-profit making status is absolutely bona fide. It is run under the auspices of the National Association of Credit Men, as this is the appropriate organization, under which it should function; you know they have over 30,000 members, located in all parts of the country. When you get a foreign order you usually send out a number of letters trying to scrape up some ledger experience data, don't you? Well, the primary function of this Bureau is to give out ledger experiences; and they can give you ledger experiences on a house that would be impossible to get yourself. They cover the entire country, and seem to have most of the big exporters listed in the membership. Personally, I am a bug on the subject of ledger experience. With no reflection on mercantile agency service, because I think their information is invaluable, I believe that the recent information giving experiences of others who have sold the same account, is about the strongest basis upon which the extension of credit can be placed.

J. Well, I agree with you on that. But tell me one thing: You say that this Bureau is non-profit making. What's the use of running it?

S. The object is pretty hard for some people to grasp until they see the thing work. The object is primarily an expansion of foreign trade through better credit extension facilities. It is also a protective idea for closer co-operation between credit departments, which

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 - (b) Factory shipment
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 - (b) Invoices
 - (c) Goods
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4. Voluntary remittance with order.
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6. C. O. D. or S/D to R. R. B/L.
7. Cash against documents under confirmed L/C.
8. Cash against documents under unconfirmed L/C.
9. Bank acceptance of bank in this country at days.
10. Bank acceptance of foreign bank at days.
11. Draft at days sight through bank for collection d/a.
12. Draft at days date through bank for collection d/p.
13. Draft at days sight through bank for collection d/p.
14. Draft at days date through bank for collection d/p.
15. Draft at days sight through bank for collection documents to customer.
16. Draft at days date through bank for collection documents to customer.
17. Consigned stock.
18. Cash against shipping documents, dock receipt or warehouse receipt
 - (a) At customer's office
 - (b) At paying agency other than bank
19.

How Long Sold	Terms of Sale		Highest Recent Account	Date Last Dealings	Amt. now Owing (including outstanding drafts)	Amount Past Due	Number Days Past Due	Manner of Payment (Use)
	Key No.	Details						

Form 3. TERMS OF SALE

will ward off foreign commercial crooks. You can see for yourself that the larger the membership, the more protection is afforded, and the better service that can be delivered. That is one reason I am so anxious to line you up. No dividends are being or will be paid.

J. In these money-grabbing days, that's a very unusual proposition, but coming from you, Smith, I can't but accept your explanation. You have really got me interested myself. It is getting pretty late. You had better let me sleep over it. If you can get the representative of the Bureau to drop around any time tomorrow, I will appreciate the opportunity of going into a little more detail.

S. All right, Jones, I am sure he'll be only too glad to come down and see you. What time shall I tell him, about 11:00?

J. That's all right for me. Say, you know just talking with you and absorbing some of that super-optimism seems to have made me feel better. Guess I have been brooding too much.

S. Don't worry. Just keep a stiff upper lip and tackle the thing square, and I am betting on you.

J. Well, so long, Smith. Glad to have seen you, and I will let you know how I make out with the Bureau man.

S. Do that little thing, Jonesy, and if you need any moral support call me on the 'phone.

(Exit Jones and Smith)

ACT I, SCENE 2.
Foreign Credit Department of Engold Corporation.

Time: 10:59 a. m., the next day.
Jones is discovered picking up the telephone, over which he is soon advised by the operator that Mr. Robert Johnston of the Foreign Credit Interchange Bureau is calling. He hangs up the receiver and a moment later Mr. Johnston enters.

MANNER OF PAYMENT		
OPEN ACCOUNT		GENERAL
A. Discounts.		N. Account settled by attorney.
B. Pays when due.		O. Account settled by arbitration or compromise.
C. Slow		P. Account still in dispute.
DRAFTS		WE RATE THE ACCOUNT
H. Anticipates payment.		Q. High.
I. Accepts and pays promptly.		R. Good.
J. Accepts promptly-delays payment.		S. Satisfactory.
K. Delays acceptance-pays promptly.		T. Unsatisfactory.
L. Delays both acceptance and payment.		U. Undesirable.
M. Makes unjust claims.		

Rating Code)	Credit Limited (If Any)	Credit Declined (Give Reason)	REMARKS

Form 4. MANNER OF PAYMENT

Robert Johnston. Mr. Jones?
Jones. Righto.

R. J. My name's Johnston, Mr. Jones. Mr. Smith called up and asked that I drop in to see you with reference to the Foreign Credit Bureau of the National Association of Credit Men.

J. Glad to know you, Mr. Johnston. Have a seat. Say, you people have some walking testimonials, all right. Smith cornered me in the Club yesterday and pumped me full of you people's glory. I want to be frank and say that I don't know whether this thing can be put through or not. We have been hard hit in foreign trade, and our president is all for digging a hole and pulling it in

after us, so far as export trade is concerned. However, let's hear your story, and we can talk about that later.

R. J. Mr. Smith tells me that he has outlined the character of the service so far as status is concerned, Mr. Jones, so I won't go into that part of it, but will start with the details of operation.

J. All right, just as you say. R. J. I have a number of forms here, and I will go over them, explaining the various functions and details of the service. Form 1 is an index card which is kept in the Bureau files. The numbers appearing down at the bottom indicate the code numbers of subscribers selling the account.

How Long Sold	Key No.	Terms of Sale Details	Highest Recent Account	Date Last Dealings	Amt. now Owing (including outstanding drafts)	Amount Past Due	Number Days Past Due	Manner of Payment (Use Code)	Rating Code)	Credit Limited If Any	Credit Declined Give Reason	REMARKS
Yrs.		Days										
12	I	90a	40000	current	35000	20000	lyr	B				Note "A"
INVESTIGATION GIVES INFORMATION OF A GENERALLY FAVORABLE NATURE ABOUT A YEAR AGO WAS INCLINED TO RE SOMEWHAT SLOW IN MEETING OBLIGATIONS. THE LATEST FIGURES, SEPTEMBER, 1919, INDICATED A NET WORTH OF \$150,000.												
A FIRM STATES THAT FOR THE PAST YEAR, DUE TO CONDITIONS IN CUBA, THEY HAVE BEEN SELLING THE ABOVE ON TERMS OF 60 DAYS TRADE ACCEPTANCE, AND THUS FAR THEIR ACCOUNT HAS BEEN SATISFACTORY												
ANOTHER REPORT IS AS FOLLOWS: "WE HAVE DONE BUSINESS WITH THE ABOVE FOR A GREAT MANY YEARS AND HAVE ALWAYS FOUND THEM TO BE VERY SATISFACTORY. WE CAN RECOMMEND THEM AS BEING RELIABLE."												
NOTE "A" HAVE SOLD THIS ACCOUNT FOR MANY YEARS, AND PAYMENTS ALWAYS SATISFACTORY UP TO CUBAN MORATORIUM. AT THAT TIME THEY OWED US \$45,000; AND HAVE REDUCED THIS TO \$25,000, AND OWE NOW FOR ONLY 90 DAYS MERCHANDISE. THINK THEY ARE GOOD FOR THEIR ORDINARY REQUIREMENTS.												

Form 5. INFORMATION RECEIVED FROM PREFERRED REFERENCES

How Long Sold	Terms of Sale		Highest Recent Account	Date Last Dealings	Amt. now Owing (including outstanding drafts)	Amount Past Due	Number Days Past Due	Manner of Payment [Use Code]	Rating	Credit Limited (If Any)	Credit Declined (Give Reason)	REMARKS
	Key No.	Details										
Yrs.	Days											
4	I	60a	5288	10-18	—	—	—	T	—	—	—	NOTE "A"
NOTE "A" THEY CANCELLED THIS ORDER AFTER SHIPMENT WAS MADE, SHORTLY AFTER THE ARMISTICE WAS DECLARED, EXPECTING PRICES TO GO DOWN. WE WERE OBLIGED TO SELL AT A LOSS.												
2	16	120	1650	11-20	1650	1650	year	J	U	—	—	NOTE "B"
NOTE "B" UNDERSTAND RECENTLY EMBARGOED OUR ACCOUNT WITH ATTORNEY.												
3	12	120	—	8-21	685	685	—	—	—	—	—	NOTE "C"
NOTE "C" GRANTED 30 DAY EXTENSION. END OF PERIOD—STILL NO WORD FROM CUSTOMER.												
1920	7	—	387	4-20	—	—	—	C	—	—	—	NOTE "D"
NOTE "D" PART OF BILL PAID OCT. 1921; UNABLE TO COLLECT BALANCE AND HAD TO CHARGE OFF \$123.												
1921	S/D	60	1200	9-21	—	—	—	—	—	—	—	—
3	S/D	60	1069	10-20	99	99	—	Paying on A/C	—	—	—	—
6Mo.	I	10a	1000	9-21	—	—	C	T	—	—	—
Yrs.	9	60	852	1-22	792	—	—	B	S	Our Agents for Cuba	—
3	I	30a	6	11-21	8	8	60	C	T	—	—	—

Form 6. WHAT ACTUAL EXPERIENCES DISCLOSE. COMPARE WITH FORM 5

J. You mean that when the Bureau gets an inquiry, the Bureau knows just who is selling the account without having to shop around for information?

R. J. Exactly so. The Bureau has on file at the present time over 115,000 of these cards with a record of American exporters selling each account.

J. That looks pretty good. But tell me, how do you get a record of this?

R. J. That's just what I am coming to. Every subscriber of the Bureau files with the Bureau a list of his foreign and export commission house customers.

J. Wait a minute. Do you mean to say that I will have to give you a list of all our customers? *Nothing doing!* How do I know that they won't reach some competitor? No sir, you can never get that information away from us.

R. J. Please let me explain, Mr. Jones, and I think in a very few moments I can convince you that there is no objection whatsoever to filing the list with the Bureau. In the first place, in Form 2, you will see how the list is sent in, with the name and address of the customer, but with the subscriber's code number only. When this reaches the Bureau it is checked with the files and your code number added to the cards, a sample of which I have just shown you.

When your list is completely checked with the files, it is returned to you by registered mail.

J. I know, but what would prevent some ill-intentioned person from getting

a whole list of my customers out of the file?

R. J. Just this, Mr. Jones: In the first place it would be necessary for the ill-intentioned person to break into the Manager's desk and ascertain your code number. After he had done this, it would be necessary for him to go through 115,000 cards and write down the names of the foreign customers and take off the names of those cards which bore your own code number. You can easily see this would be a three months' job in itself, and for all practical purposes absolutely impossible. In the entire two years and a half the Bureau has been running, *there has been not a single complaint from any subscriber on the score of divulging confidence*—there couldn't be. The integrity of the Manager of the Bureau is vouched for by the National Association of Credit Men, and the system that is installed is fool-proof. Doesn't this answer your objection?

J. Well, in a way—but I am still not convinced about sending in this list. What you say sounds logical enough, but I don't know but that I am just a little skeptical.

R. J. Look here, Mr. Jones. When you receive an order, don't you send an inquiry to the mercantile agencies?

J. Yes.

R. J. Well then, over a period of say, two or three years, *aren't you filing a complete list of your customers with the mercantile agencies?*

J. I never thought of that. I guess you are right. I suppose my objection was based on the idea more than on the actuality. Well, let's pass on to the next point. I have to admit I'm snowed under on this one.

R. J. Next I want to show you a form of report, but I have split it up in separate parts in order that it may be explained a little more effectively. Form 3 shows the left-hand side of the top of the report, indicating the various items of information. It also shows how the terms of sale are keyed in order to save time. You will notice that practically all of the usual sales terms are listed. Form 4 shows the right-hand side of the top of the report, and illustrates how the manner of payment is also keyed in order to save time. Form 5 shows some of the actual information.

J. Just a minute, Mr. Johnston. I take it that this Bureau is an exchange of ledger experiences.

R. J. That's right.

J. Well, you know we have references supplied to us all the time. We can get this information by writing for it ourselves.

R. J. I am mighty glad you brought up that point, Mr. Jones. It gives me an opportunity to explain something. You see this Form 5? Well, each of these comments on this particular form was supplied by a preferred reference of the merchant, who is located in Havana, Cuba. This is an actual case. You will



FOREIGN CREDIT INTERCHANGE BUREAU

National Association of Credit Men

8190

41 Park Row New York

Although obtained from an authoritative source, the accuracy of this report is not guaranteed.

1. Report on **JOHN DOE & COMPANY**
2. Address (Number) (Street) **HAVANA** (City) **CUBA** (Country)
3. Classes of goods..... **HARDWARE**
4. Languages of correspondence..... **SPANISH**
5. Character of business: Wholesaler..... Retailer..... **X**..... Commission Merchant.....
Manufacturer..... Importer..... Exporter..... Agent..... Forwarder.....
6. Buys chiefly: Domestic..... Foreign..... **U. S. A.** (Countries and prop. from each)
7. Organization **LIMITED PARTNERSHIP** .. 1917..... (Year established) (Country where organized)
(Corporation, partnership, etc.)
8. Branch houses..... **NEW YORK**..... (Number) (Location)
9. Financial reference.. **SHERWIN-WILLIAMS PAINT CO., C. B. RICHARDS CO.**
..... **CANADIAN BANK OF COMMERCE**
10. Capital.... \$40,000.00.... Volume of business.... \$72,000.00.... No. of employees.... 4....
(Annual sales)
11. Date of report..... **FEB. 3, 1922**.....
12. Managers or partners (name, title, age, nationality) **JOHN DOE (Mgr); Silent Partner, R. DOE**
13. Capital stock controlled by (name, address, nationality) **ABOVE**
15. Relative size of concern: Very large..... Large..... Medium Small.... **X**...
16. General reputation of concern:.... **POOR**

CLAIM \$36,000 INSURANCE

SUPPLEMENTARY REPORT

Form 7. SUPPLEMENTARY REPORT SENT OUT BY BUREAU

notice that nearly all of them are favorable, even in the first case which is a large one. Now, if you will look at Form 6, this is the information obtained from subscribers in the Bureau. You can see the great contrast in the types of information; nearly all of our subscribers have had unsatisfactory dealings with this man.

J. Well, I guess I'll have to surrender on that point, too.

R. J. You will note on Form 6 that each of the lines across indicate one of our subscribers selling. In obtain-

ing a Bureau report you get the unprejudiced and truthful experiences of those who have sold the account for possibly a number of years, and who know the paying ability and commercial habits of the particular merchant in question.

J. So far, so good, Mr. Johnston. I can see the value in that, but do you get any information outside of just ledger experiences?

R. J. Yes, Mr. Jones, we do. If you will glance at Form 7 here, it will show you the type of information the Bureau

sends out in addition to ledger experiences. This is called a Supplementary Report. We are not able to supply this on every inquiry but on a large percentage of them. It gives you, as you can see, such data as capital, volume of business, number of employees, general reputation, etc. This Supplementary Report and the ledger experience report are sent out together and a charge for only one report is rendered.

J. I see. But how about these foreign people who are digging us for all



FOREIGN CREDIT INTERCHANGE BUREAU

National Association of Credit Men

41 Park Row New York, N. Y.

The information obtained from this questionnaire will be treated in strict confidence and sent in consolidated form (without reference to names) to those members only who have contributed their experiences.

JOHN DOE & COMPANY, HAVANA, CUBA.

The above concern has been reported to the Bureau by one of its subscribers, who has had the following experience:—

"Sold for three years, open account payable 60 days from date of invoice. Highest account \$5288. in October 1918. Amount now owing \$40. which was written off to Profit and Loss. Account rated unsatisfactory. This firm cancelled an order in 1918 after it had been shipped immediately after the armistice stating that prices were going to fall and refused to accept the shipment. Our agents disposed of the shipment at a loss to other parties."

Our records indicate that you have sold this account and accordingly will appreciate receiving in confidence the following data:—

Have you had similar experience?.....Yes

Has an extension been requested?.....Yes.....If so, how long?.....15 - 30 days.....

or a cancellation?.....No.....or a price allowance?No.....Give details:—

Do you consider such action on the part of this customer justified?No..State circumstances:—
Last fall we sold this house a bill of mdse. which was received O. K. and draft accepted. When the draft became due, customer desired a 15 day extension which was granted. When draft became due the second time customer claimed he had asked for a thirty day extention which we had to allow. Now he claims it will not be possible for him to pay until after Jan. 30th and we are now waiting to see what the next excuse will be. This is the only transaction we have had with them.

From your experience do you consider this account satisfactory?Not very.....
If not why? See above.

State proposed procedure in handling present account and reason for so doing:—

Will wait a little longer.

GENERAL REMARKS:

Form 8. QUESTIONNAIRE FOR DETAILED INFORMATION

they are worth, asking price allowances, returning merchandise, etc.? Is there any record kept of these people? You know, Mr. Johnston, I might tell you we have been pretty badly stuck on this foreign proposition and we are just a little sore to the touch.

R. J. The Bureau found a number of subscribers in the same position that you are in. When these people received a request for an unusual concession from one of their customers, and were rather at a loss as to how to proceed, and didn't know whether the request was based upon a desire to take ad-

vantage or upon necessity—in order to supply more detailed information, the Bureau issued questionnaires, as you will notice here in Form 8. When a subscriber sent in his experience on such a concern, a Questionnaire was sent out, having on it the questions that you will notice. When these questionnaires were returned they were consolidated into a Consolidate Questionnaire, as you will notice from Form 9, and these Consolidate Questionnaires sent out to not only the inquiring subscriber but to each subscriber who had contributed his experience.

J. Very interesting.
R. J. Oh, I nearly forgot one of the important functions of the Bureau, Mr. Jones. Speaking of questionnaires brought it to mind. This is the reciprocal side of the service. Whenever a subscriber answers an inquiry from the Bureau by giving his experience, he receives automatically and gratuitously, a reciprocal copy of the completed report. The experience he himself contributes may be five years old, but nevertheless he receives an up-to-date copy of the report, which constitutes practically a revision of the files, keep-

FOREIGN CREDIT INTERCHANGE BUREAU

NATIONAL ASSOCIATION OF CREDIT MEN

41 PARK ROW

NEW YORK, N. Y.

Consolidation of Replies.

Questionnaire. 828

Date February 20, 1922

Name

JOHN DOE & COMPANY, HAVANA, CUBA.

BELOW IS GIVEN EXPERIENCES AND OPINIONS OF MEMBERS SELLING ABOVE ACCOUNT.

1. Original Inquirer

"Sold for three years, open account payable 60 days from date of invoice. Highest account \$5288, in October 1918. Amount now owing \$40, which was written off to Profit and Loss. Account rated unsatisfactory. This firm cancelled an order in 1918 after it had been shipped, immediately after the armistice, stating that prices were going to fall and refused the shipment. Our agents disposed of the shipment at a loss to other parties."

Our dealings with this concern has been limited to one transaction in April 1920, which involved a matter of \$136.00 which was shipped on open account.

Our invoices on this order were dated in August and we gave them the option of deducting 2% for the payment in 10 days. They did not, however avail themselves of this discount and payment was not received until September, 1920.

Have sold this account for many years,—on terms of thirty days net. Highest credit \$2650. Bought heavily for many years, at one time they owed \$1575. Were usually slow in remitting.

Form 9. CONSOLIDATED REPLIES FROM QUESTIONNAIRE

ing his own files up-to-date and full of live information.

J. You mean if I were to answer an inquiry I would get a copy back of the complete latest information to put in my files, and it would not be charged against my account?

R. J. Exactly so. I have been taking up quite a good deal of your time—

J. Don't mention it. I have been very much interested.

R. J. I am glad to hear you say so, Mr. Jones; I realize that your time is valuable. But there is just one other point that I want to mention in connection with our service, and that is the Weekly Confidential Bulletin. There is sent out each week a Bulletin which contains information on economic and credit conditions in all countries of the world. You can appreciate that a large publication could not give an intimate insight into the conditions in foreign countries, but the Bulletin is of a confidential nature, and gives real facts without tincturing them with prejudice. In carrying out the reciprocal policy, there is conducted in connection with this Bulletin, what is known as an Exchange of General Information. That is, if, for instance, you want to know how to get your money out of Ecuador at the present time, you just send an inquiry in to the Bureau and this question is included in the Confidential Bulletin, of course without any mention of your name and connection. The consolidated replies of subscribers to your question will be sent to you.

J. That's mighty interesting. I have several of such questions right now that I would like to have answered.

R. J. Well, that's the purpose of it, Mr. Jones; and I believe that what I've told you will give you a fair idea as to the details and purposes of the Bureau's services.

J. You leave this information with

me, Mr. Johnston. I have about decided to take the matter up with the president, although I want to be frank that my knees are shaking a little bit. I'll let you hear from me in a couple of days.

R. J. Thank you, Mr. Jones. Certainly hope we will have the pleasure of welcoming you into the membership. I feel confident that it will be of mutual benefit.

J. I hope so, anyhow. Thank you for coming in. I will phone you just as soon as I hear anything definite.

R. J. Good day, Mr. Jones.

J. Good day.

Exit Mr. Johnston.

ACT I, SCENE 3.

Office of Henry Brown, President of Enyold Corporation. Mr. Brown, a gentleman with side-whiskers and shaggy eyebrows, discovered sitting at his desk pouring over papers in front of him, raises his head on hearing a rap upon the door, and roars, "Come in!"

Time 2.30 p. m., the same day.

Enter Jones, wearing a sheepish grin. Jones (strictly to himself) Burr-rr—the water's cold!

Brown Hello, Jones.

J. Good afternoon, Mr. Brown.

B. What's on your mind—I am a little bit busy this afternoon, so boil it down, Jones, boil it down!

J. Well, Mr. Brown, I have come in to talk to you about this foreign trade proposition.

B. (Warming up a few degrees) That's a funny thing, Jones—quite a coincidence. I was just thinking about that myself. You know, I attended a meeting uptown last night, and I heard a man named Klein, I believe it was, of

the Bureau of Foreign and Domestic Commerce, and several other people. And you know, I got to thinking afterwards and I believe we are tightening up just a little too much. You know that I was pretty sore over the losses we have suffered; but some of the things that were said up there last night have put a little salve on the wounds. Well, what's on your mind?

J. I'll tell you, Mr. Brown, I was talking to a friend of mine yesterday, Mr. Smith. He's with Curage and Forster—you know them—over here on Liberty Street. He tells me that they have had very few losses on foreign business and they even at the present time are shipping on credit and getting their money in.

B. Well, how do you account for it? You're the Foreign Credit Man.

J. I account for it this way, Mr. Brown. Without any reflections on you, Smith over there has been given more or less of a free rein and they have allowed him to subscribe to the credit services that he thought would do the most good, and consequently he has been able to discriminate, and steer away from the black-sheep—some of the fellows that have nipped us.

B. I am a man of few words, Jones. Do you think we could follow the same policy and make a go of it? We have suffered severely in our export business. But after last night's meeting, I am beginning to feel that perhaps our policy hasn't been right.

J. Mr. Brown if you will let me have a little more leeway, by making our "cash in New York" policy flexible, I will stake my personal reputation in putting this thing over and keeping the losses down to a minimum. By the way, one of my chief reasons for coming today was to get your O. K. on joining

the Foreign Credit Interchange Bureau, which is operated by the National Association of Credit Men, and is a clearing house for ledger experiences. Smith lauds it to the skies and their man Johnston came in today; and, personally, I am confident it's a mighty good thing.

B. How much will it cost us?

J. \$100 a year, which gives us 100 reports, and other services.

B. All right, go ahead. Use your own judgment; I will put the thing in your hands, and we'll see if we can get it across.

J. (To himself) Heaven was never like this. (Aloud) Thank you Mr. Brown. I appreciate your confidence in me and assure you that I will put my best into it, and see if we can stage a "come-back."

B. Very well—er—ask my secretary to come in on the way out, will you? J. Yes, sir.

Exit Jones with a broad grin.

ACT II, SCENE 1:

Commercial Club. Jones discovered in easy chair reading CREDIT MONTHLY. Enter Smith, who looks at names of posted members on Bulletin Board, and strolls over to Jones.

Time: six months later.

Smith Well, Jones, how are you?

Jones Why, hello, Smith, where have you been? I haven't seen you for a dog's age. I called you up and they said you had been in South America,

for an extended tour looking the ground over and planning on some new branch offices.

S. Yes, I was down there for nearly six months looking over our branches and laying plans for bigger business. By the way, you look ten years younger. Monkey glands?

J. Not at all. To be truthful, you are the one who is largely responsible for it.

S. Me?

J. Yes, you remember the heart-to-heart talk that we had and the bawling out you gave me last October?

S. Oh, yes, I do remember that. Well, what of it?

J. I followed your advice and took the matter up with the president. Lucky for me he had just attended an export meeting, which smoothed the path considerably. He was about half converted, so all I had to do was to finish the job.

S. Well, how have you been making out?

J. Fine. We are doing a fair foreign business now—even though conditions aren't so awfully good—and separating the sheep from the goats. We've collected practically everything we had outstanding. I thought you were exaggerating when you boosted the Foreign Credit Bureau; but I take it all back now. I subscribed to the service six months ago and it certainly has justified every claim you made for it.

S. Well, I am mighty glad to hear that. Let's go up and have a little lunch together, and talk it over.

J. Fine, but the lunch is going to

be on me, and I vote that we don't talk shop. I find that since the weight of worry was taken off my chest, I can really enjoy my luncheon without having a brain-storm. Let's eat, drink and be merry. Say, by the way, have you heard that one about?

Exit Jones and Smith into the Dining Room.

CURTAIN

New Associates of the

N. I. C.

A BNER JACKSON, Union Exchange National Bank; Samuel N. Selman, 1119 Clay Ave., Bronx; and Henry Weber, Jr., 537 Hart Street, Brooklyn, have won the Junior Certificate and are now Associates of the National Institute of Credit. All of them have additional courses to their credit which will count toward the Senior Certificate and the Fellowship which they expect to get before many months have elapsed. These three men are members of the New York Chapter of the Institute, as is Joseph Rubanow, the first student to receive the Junior Certificate.

WEEKLY CONFIDENTIAL BULLETIN OF THE FOREIGN CREDIT DEPARTMENT, NATIONAL ASSOCIATION OF CREDIT MEN 41 PARK ROW, NEW YORK, N. Y.

This information although given without responsibility is obtained from authoritative sources

No. 65.

February 25, 1922.

LATIN AMERICA

CUBA: The proposed legislation for limiting the Cuban sugar crop is meeting with ever increasing opposition, but nevertheless, the probabilities point to its being carried out.

Opponents to the plan put forth the argument that many farmers who have used all their money to sow and cultivate a large crop would be subject to severe financial embarrassment, and a large number of working people, would be made destitute. It is also stated that if this measure is put into effect, other countries will increase their production of sugar, which will, of course, put Cuba completely out of the running.

The fact that many Cubans lay the blame for this proposed measure at the door of high official circles in Washington and that the anti-American feeling in Cuba is becoming more intense is indicated in the daily increasing number of cane fires which are occurring on American owned plantations. These fires are occurring in such numbers that there is little or no doubt of the fact that they have been purposely set.

As a contrast, a subscriber of the Bureau who has been owed \$3,000.00 by a Cuban firm for practically a year, has just received a report from his customer, which sounds an optimistic note and enclosing as an evidence of good faith a check for \$500.00 on account, with a promise of future remittances from month to month. The

Support Sound Institutions

American Foreign Insurance Association

80 MAIDEN LANE
NEW YORK

ELBRIDGE G. SNOW, *President*
R. M. BISSELL, *Vice President*
C. G. SMITH, *Vice President*
WILFRED KURTH, *Secretary*

HOWARD P. MOORE,
General Manager
JOHN FERGUSON,
Marine Manager

COMPOSED OF

	Assets
The American Insurance Company.....	\$ 17,836,501
Continental Insurance Company.....	43,389,862
Fidelity-Phenix Fire Insurance Company.....	29,189,830
Firemens Insurance Company.....	10,517,443
Fire Association of Philadelphia.....	16,485,049
Glens Falls Insurance Company.....	10,345,350
Great American Insurance Company.....	42,806,009
Hartford Fire Insurance Company.....	56,171,085
The Home Insurance Company.....	75,931,551
National Fire Insurance Company.....	28,224,420
New Hampshire Fire Insurance Company.....	10,944,350
Niagara Fire Insurance Company.....	15,227,727
Phoenix Insurance Company.....	24,014,028
Springfield Fire & Marine Insurance Company.....	20,384,250
St. Paul Fire & Marine Insurance Company.....	19,610,264
Westchester Fire Insurance Company.....	10,590,927
 Total	 \$431,668,646

NO BACKWARD STEP

THIS GROUP OF LEADING AMERICAN FIRE AND MARINE INSURANCE COMPANIES UNDER JOINT MANAGEMENT IS STEADILY AND CAREFULLY EXPANDING BUSINESS, IN THE FOREIGN FIELD.

IT HAS NEVER WITHDRAWN FROM OR SUSPENDED BUSINESS IN ANY COUNTRY AFTER ONCE COMMENCING TO OPERATE. PERMANENCY AND NOT OPPORTUNISM IS THE KEY-WORD.

SERVICE SECOND TO NONE

Support Sound Institutions

Organized
1853



Cash Capital
\$12,000,000

The Security of Strength

Strength in a fire insurance company, represented by substantial capital, surplus and assets, provides the policyholder with a feeling of safety and security that is due him as a part of the insurance contract.

A policy in The Home of New York gives the property-owner not only that feeling of security, but actual assurance that he has the protection of America's Largest and Strongest Fire Insurance Company.

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With the Editor

Why Dockets Are Crowded

SOUND credits call for swiftness and certainty in judicial procedure. If the courts are clogged, if the calendar fails to call up a case reasonably promptly when witnesses are available and circumstances fresh in mind, if the alleged criminal (presuming it is a criminal charge) is permitted to roam at large on bail for months awaiting actual trial of his case, there is danger of justice being cheated. Demoralization is certain.

In all parts of the country the crowded conditions of our courts is a leading subject of comment, and court delay is named as a principle cause of new crimes, adding still more to the burden of the courts.

Why is there such a great increase in court business? Judge Baker of the United States Court for the Northern District of West Virginia, probably gave the reason in an address to the credit men of Wheeling, when he made the startling statement that of the 20,000 criminal cases awaiting disposition before his court, only five per cent. would have been of criminal nature under the laws of ten years ago; that each new year of our complicated lives has created conditions leading to new regulations and new classes of offenses. He cited for example the Volstead Law, the violations under the Harrison Narcotic Act, the Mann White Slave Law, as well as laws protecting property, particularly property in transit.

All this, Judge Baker said, brought up sharply the problem of reorganization of the Federal judiciary system and of providing for additional machinery; for despite all that the officers of the court can do, only a small fraction of the cases on the docket can be disposed of within a reasonable time.

As further reason for the crowded condition of court calendars Judge Baker points to the increased activity of organizations such as the National Association of Credit Men in running down cases of fraud, many of which in the old days never would have reached the courts.

Clearly the Department of Justice has lagged behind in the forward movement of society. In its delays are sown the seeds of dis-

content with law and disrespect of our institutions.

Credit suffers sharply under such conditions and credit grantors should, through their organization, take a leading part in demanding that sufficient and proper court machinery be provided.

Probation Opposed

F. H. JOHNSON, guilty by his own confession of obtaining money under false pretenses through the forging of contracts of sale and other documents covering fictitious sales of automobiles, is now paying the penalty in the San Quentin prison. He has been operating an automobile business in Marysville, Cal., with a branch at Sacramento.

It was brought out in the trial that his contracts of sale were discounted with a local investment and banking institution from which he had obtained \$32,000. Johnson made application for probation, but bankers and merchants of San Francisco becoming interested filed protests with the probation officer against the granting of probation in a case so flagrant.

Under the leadership of J. H. Newbauer, chairman of the Investigation and Prosecution Committee of the San Francisco association, a large committee of members voiced their earnest protests, basing their conclusions on the fact that there were no extenuating circumstances in the case, that there were some twenty-seven transactions and that the forgeries extended over a period of eight months. The Board of Trade of San Francisco also asked for the refusal of the probation application, pointing out to the Court that such crimes as Johnson was guilty of, deliberately and boldly planned and executed, had no elements calling for clemency or leniency, and that such crimes are becoming alarmingly frequent and unless severely punished the entire automobile business, and business as a whole, would be menaced.

Mr. Newbauer, speaking for the association, declared that there was no desire to oppose probation in cases where an act of fraud or violence is committed under the pressure of the moment, but where the evidence points conclusively to acts deliberately and boldly planned, no consideration should be shown the criminal.

The probation officer recommended against the probation of Johnson, and the judge sentenced him.

Russia's Basis of Credit

THE text of the State Department's reply to the invitation of the Allies to join the proposed commission to meet at The Hague on June 15 is based upon the most fundamental fact in the entire system of credits, namely that the man who ships goods on credit or who loans money is not giving credit, but ships the goods or loans the money because the buyer or borrower possesses credit. It is on the basis of this possession of credit that confidence is extended.

One may help another to get credit. One may show another how credit can be had and point out the basis of credit; but after all the man himself must build up his own credit.

Now the ideals, the motives and the doctrines a man holds are, to the man who deals in so-called credits, tremendously important. A man may be God-fearing and yet hold doctrines of life so contrary to the accepted, or, if you will, orthodox beliefs, that he fails to gain the confidence of men.

The state paper of May 15 dealing with the proposed conference at The Hague refers specifically to the Russian Memorandum in which that country declared her right to maintain any kind of internal economic regime she wanted, declared that she was not bound in international law to assume responsibility for property confiscated and debts repudiated as a result of revolution. Whether Russia is right or wrong in these declarations, those who are in the best position to make loans cannot find in the face of them that Russia possesses a credit basis. They recognize that the vast natural resources of Russia count not at all against the character of its government, the facts of the denial of the rights of property and the readiness to repudiate the debts owing other nationals.

Until Russia has abandoned such doctrines, or until all the rest of the world abandons its contrary doctrines, Russia will possess no basis for credit and so far as Russia is concerned a succession of Genoas and of The Hagues will be of no avail.

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